Bosnia
Owen still confident of peace
Page 5

Samuel Brittan
Why business ethics are in the eye of the beholder
Page 11

France in the frame
Why French elections may not relieve the pressure
Page 28

European strategies
ICI rethinks the single market
Page 7

85261
151

FINANCIAL TIMES

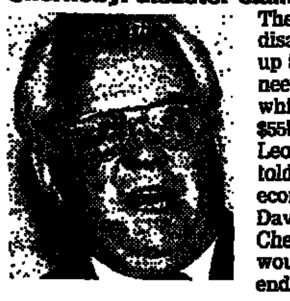
Europe's Business Newspaper | MONDAY FEBRUARY 1 1993 | D8523A

French soldiers help foreigners flee Zaire mutiny

French paratroops began escorting foreigners from Zaire's capital, Kinshasa, where at least 65 people, including France's ambassador, have been killed by mutinous soldiers. Belgium said it was prepared to send troops if there were problems with the evacuation, but Zaire president Mobutu Sese Seko said they would not be allowed into the country. Page 4

Capital boost for Saab Auto: Sweden's Saab Automobile is to get a SKr2.8bn ($396.3m) capital injection from co-owners Saab-Scania and General Motors of the US. Saab Auto has incurred losses for four years running. Page 13

Chernobyl disaster claimed 11m victims



The Chernobyl nuclear disaster had claimed up to 11m victims who needed medical aid which would cost about $55bn, Ukraine president Leonid Kravchuk (left) told the annual world economic forum in Davos. He said all Chernobyl's reactors would be shut by the end of the year. Page 12

EC puts itself on TV: The European Community will today open its doors to television cameras and allow portions of an EC foreign ministers' meeting to be broadcast live to Europe and the US. Page 12

Philips suspends HDTV production: Dutch electronics group Philips is suspending plans to produce televisions using High-Definition Television technology because nobody is planning to use the technology to make programmes. Page 15

...ael holds Arab-Americans: Three US ...ens of Arab descent were detained in the ...li-occupied West Bank.

...ish retailer in US computing deal: ...lothing and homeware retailer BhS is turning ...ts data processing operations to US computing ...es company Computing Sciences Corporation ...eal worth about £10m ($14.9m) a year over ...rs. Page 5

...sing crash kills 66: An overcrowded ...s hit by a train on an unmanned crossing ...ning, China. Sixty-six of its 94 passengers ...led.

...ffer 14.5% pay rises: Imperial ...Industries' 20,000 UK manual workers ...to receive pay rises of at least 14.5 per ...to sweeping changes in working practices. ...sh government is seeking to impose ...cent pay limit in the public sector. Page 5

...Cook opposes bid: UK travel agency ...cial services group Thomas Cook called ...rs' hostile bid for rival Owners Abroad ...red to the Monopolies and Mergers ...n. In December, Owners Abroad and ...unced a tie-up on interests. Page 13

...choice for commerce: US ...ll Clinton has nominated John Rollwa... ...rman and chief executive of Gray ...e world's largest manufacturer of ...ers, to be deputy secretary of com...

...back ANC newspaper': Lonrho ...vland has agreed to support an ...al Congress plan to publish its ...spaper, South African newspapers

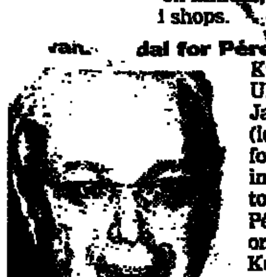
...e black: French investment ...urned to the black last year with ...r900m ($168m), but had to make ...because of the problems of the ...and small businesses in France.

...monstrate: Riot police fired ...Salaam to disperse demonstrators ...ase of opposition party leader ...n, who was arrested a week ...edition and organising an

...Increased borrowing by ...nts raised the amount of ...he Eurobond market to a ...uary. Page 13

...go: Frightened Togolese ...t of Lome towards Ghana ...oops avenging comrades mur... ...on militias, killed at last five ...l shops.

...dal for Pérez de Cuéllar



Kuwait honoured former UN secretary-general Javier Pérez de Cuéllar (left) with a medal for his role in building international opposition to Iraq's 1990 invasion. Pérez de Cuéllar, on a short visit to Kuwait, was later awarded an honorary doctorate from Kuwait University.

Zambia controls to go: Zambia intends to abolish exchange controls it inherited at independence nearly 30 years ago. Page 4

Corsican separatist attack: A Corsican holiday villa belonging to the mayor of the Parisian suburb of Puteaux was blown up by the island's separatist movement.

Ministers attack Bundesbank and UK after the Irish currency is forced to realign

Dublin voices anger as punt is devalued

By Tim Coone in Dublin and Alison Smith in London

THE IRISH government hit out yesterday at the Bundesbank, Britain and the management of the European exchange rate mechanism, after the punt's 10 per cent devaluation on Saturday.

Mr Bertie Ahern, finance minister, said on Irish state radio: "We fought a ferocious battle with the markets.

"We hoped for a change in a number of policy directions. We had hoped for a realignment of the currencies under attack, mainly the French and the Danes. We had hoped that the multilateral aid that we were requesting from the Community and particularly from the Bundesbank . . . would happen. Instead [there was] bilateral aid for the French which worked against us."

The devaluation followed three days of heavy selling of the punt on the foreign exchange markets, triggered by the 1 percentage point cut in UK base rates on Tuesday and the subsequent weakening of sterling.

Mr Ruari Quinn, employment and enterprise minister, criticised Britain over the effects of its exchange rate policy: "We are not here because the Irish economy has suddenly nosedived. We are here because of a series of political decisions . . . some reflect Britain's basic antipathy towards European union."

Mr Ahern was particularly bitter about the failure of the ERM to rescue smaller members of the system. "One of the great difficulties with the ERM is that not only is there not equal help for all members but the larger members seem to be able to negotiate side agreements.

"So a small country with a small currency is expected to take on a bigger burden in the fight against the markets, even though its economic fundamentals are correct, while a country like France can get a separate deal."

These factors, together with a threatened increase in domestic mortgage and commercial lending rates and a collapse of the domestic political consensus to defend the currency, persuaded the government to devalue, he said.

The Bundesbank refused to comment directly on Mr Ahern's complaints. "The aim of our activities is to support [the monetary system] and therefore, all member currencies, including the punt," an official said.

The UK government played down Mr Quinn's criticism. However, some officials said the punt's devaluation was a further example of the "fault lines" identified by the UK when sterling left the ERM in September. It could be taken into account in the examination of the system set in hand after the EC summit in Birmingham in October.

The devaluation will also have reinforced the decision by Mr John Major, UK prime minister, that the UK should not re-enter the ERM this year and raised further doubts at Westminster whether a mechanism would be in place allowing eventual re-entry.

● Downing Street took the rare step yesterday of issuing a vigorous denial of a Sunday Times report that Mr Major was seeking further interest rate cuts – of up to 2 percentage points – and had taken control of economic policy away from Mr Norman Lamont, the chancellor.

The decision to deny the story came after consultation between Mr Major and Mr Lamont, and with the Bank of England. The statement said: "Downing Street categorically denies stories that the prime minister is seeking further reductions in interest rates.

"These are now at their lowest level for 15 years. There is no truth in the story that the prime minister has taken control of economic policy away from the Treasury.

"There was total agreement between the Treasury, the Bank of England and Number 10 [Downing Street] that the move to 6 per cent interest rates was justified by the various monetary and other indicators."

Mr Gordon Brown, the opposition's chief Treasury spokesman, seized on the statement, saying the government had no clear economic strategy. Whether it was the prime minister or the chancellor in charge "the British economy is paying a terrible price for a cabinet which has lost its way".

PAGE 2
- British rate cut is final straw
- Irish government awaits political counterpunch

PAGE 11
- Rising tension of French connection
- Editorial comment

- UK gilts Page 16
- Currencies Page 23

Dealers warn of new ERM pressures

By James Blitz in London and Lionel Barber in Brussels

EUROPEAN FINANCE officials expressed hope yesterday that calm would return to the exchange rate mechanism after the punt was devalued by 10 per cent against the other currencies in the system.

However, some foreign exchange dealers warned last night that the realignment, agreed by officials of the European Community's Monetary Committee on Saturday, could trigger another round of speculative selling of the Danish krone and French franc.

The realignment of the Irish currency – the largest single devaluation in the history of the ERM – raised hopes that the system's exchange rate parities had been sufficiently altered since the autumn to ward off any further attacks from speculators.

"We have had one big realignment of the system that has taken five months," said one EC monetary official in Brussels, suggesting that the core currencies in the system – including the French franc and Danish krone – would not come under any more speculative attacks.

However, officials in some EC countries were concerned that the Bundesbank had not reduced its short-term interest rates – currently at around 8.6 per cent – to levels which would reduce the premium received by investors who sell European currencies for D-Marks.

Mr Bertie Ahern, Ireland's finance minister, warned yesterday that a reduction in Irish interest rates – which have been at record levels to defend the punt in the past five months – might still depend on a cut in interest rates by the Bundesbank.

The Portuguese finance ministry also called for greater co-ordination on the setting of European interest rates, in what may have been a carefully coded criticism of Bundesbank policy.

"The recent turbulence in the markets and the response in terms of exchange rate policy . . . show clearly the need to strengthen co-ordination of monetary and exchange rate policy between member states," the ministry said.

The devaluation came at the end of a ferocious battle by the Irish authorities to preserve their current ERM parities against the D-Mark bloc of currencies.

The move is expected to ease rates in the Dublin interbank money market, where the overnight lending rate has occasionally touched 100 percent in recent months.

However, the broader consequences of the devaluation for the ERM were unclear last night.

EC officials in Brussels claimed that the devaluation had been

Continued on Page 12

Serb soldiers defending the village of Kasic in the embattled enclave of Krajina take advantage of a lull in fighting against Croat forces. Peace plan expected to draw cool response from Washington, Page 12

American Express board to discuss new chairman today

By Alan Friedman in New York

THE BOARD of directors of American Express, the troubled US travel and financial services group, will meet today to discuss the election of a new chairman following the surprise resignation of Mr James Robinson at the weekend.

It is understood that Mr Richard Furlaud, a board member and former president of Bristol-Myers Squibb, the drugs company, may be named as interim non-executive chairman.

Mr Robinson, who has run American Express for 15 years, said on Saturday he would sever all ties with the company by February 22. He will resign as group chairman and will also give up his new positions as chairman and chief executive of Shearson Lehman Brothers, the loss-making brokerage and investment banking subsidiary.

The resignations came just five days after Mr Robinson had staged a counter-coup against directors who wanted him to leave American Express because of heavy credit losses, declining market share and tumbling profits on the card side, and pressure on the company's share price.

Instead of leaving, Mr Robinson gave up the chief executive's job to Mr Harvey Golub, his protégé, and pushed aside others to obtain the Shearson positions.

Wall Street investors, including some of American Express's biggest shareholders, were displeased last week that Mr Robinson was staying on. They also doubted that Mr Golub, who was recruited as American Express president only in 1991, could run the group effectively if Mr Robinson remained.

The company's share price fell by more than 10 per cent while analysts, investors and some directors protested at Mr Robinson's survival.

Mr Robinson issued a statement that he was leaving American Express in the light of shake-ups at other big US companies and to give Mr Golub a free hand.

The company denied reports that Mr Robinson had been forced to resign by directors who urged him to spare the company

Continued on Page 12
Tide turns against a last corporate Titan, Page 13

Japan expected to heed demands for interest rate cut

By Charles Leadbeater in Tokyo

JAPANESE official interest rates are expected to be cut in the next few days after mounting pressure on the Bank of Japan to stimulate the flagging economy.

The bank is expected to cut its official discount rate from 3.25 per cent to either 2.75 per cent or 2.5 per cent within days.

Financial analysts believe the bank decided on Friday to cut the official discount rate interest rate, despite official denials over the weekend. The likely cut follows a period of intense political and business pressure upon Mr Yasushi Mieno, the bank's governor, to relax monetary policy.

The last cut, a 0.5 point reduction to 3.25 per cent, was six months ago. Since then the economy has fallen to the verge of outright recession, with consumer spending deeply depressed. Over the past month the bank has publicly acknowledged the economy's deterioration, tacitly accepting the case for a further cut.

A cut, which would be the sixth since September 1991, would take the Japanese official discount rate to around the lows it reached during 1987 and 1988, the height of the speculative bubble economy. It is thought the bank will resist pushing the official discount rate below 2.5 per cent for fear that such a move would signal a return to the cheap credit policies of the bubble era.

A further cut may have a limited impact on the fragile Tokyo stock market because it has been predicted for so long many analysts have already discounted it. However, it will help to reduce funding costs for Japan's banks which are struggling against a rising tide of bad debts created by the bubble's collapse.

Some analysts believe a cut may prompt a surge in retail consumer spending because consumers have been delaying making big purchases until a cut in borrowing costs was delivered. However, Japanese households as a whole are net recipients of interest income as a result of their prodigious savings. So for elderly people in particular an interest rate cut may reduce disposable income.

The reduction will help the ruling Liberal Democratic party respond to pressure from Japan's trading partners, who are calling for a more expansionary policy to help reduce Japan's ballooning trade surplus.

Background, Page 3

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr90	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils 800	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es216	Turkey	L7000
						UAE	Dh11.00

CONTENTS

No 31,977 Week No 5 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: DEVALUATION OF THE PUNT

Talk has revived of a 'fast track' to Emu, with a few currencies creating monetary union ahead of schedule

British moves on rates prove final straw

By Lionel Barber in Brussels

THE Irish government fought valiantly for five months to stave off devaluation of the punt, but late last week Dublin finally threw in the towel.

The UK government's decision last Tuesday to cut interest rates by 1 percentage point to 6 per cent was a blow; but more damaging were reports that British ministers were contemplating further rate reductions to stoke economic recovery.

According to European monetary officials, the prospect of even lower UK interest rate cuts – plus the likely further weakening of sterling – persuaded the Irish they could no longer hold on. Reluctantly they requested a meeting of the EC's monetary committee in Brussels on Saturday to propose a 10 per cent devaluation of the Irish punt against all the currencies inside the exchange rate mechanism (ERM).

The meeting on Saturday lasted just under four hours. Irish officials who earlier had been dropping hints about leaving the ERM temporarily, like the British and Italians in the wake of last September's currency crisis, were bruised but satisfied. A 10 per cent devaluation should help restore the loss in competitiveness caused by sterling's decline.

Because one third of Ireland's trade is with Britain, some EC officials are tempted to view the punt as a special case. They argue that its problems are largely unrelated to the crisis inside the ERM, whose grid of fixed but adjustable exchange rate parities is intended to serve as the vehicle for European monetary union set down in the Maastricht treaty.

In fact, says one official, the punt was under attack well before sterling began to slide last year. Central banks, operating under ERM rules, intervened heavily on the punt's behalf; the Belgian central bank bought $1bn-worth of punts in three hours one Friday morning last year. The Irish government did its best, raising interest rates sky-high to deter speculators; but the punt was never viewed as a fully paid-up member of the premier currency league, headed by Germany, France, the Benelux countries, and possibly Denmark.

The Irish can still argue the exchange rate mechanism has let them down

Thus it is possible to argue that the punt's devaluation – following the floating of the lira and sterling and the devaluation of the Spanish peseta and Portuguese escudo – completes a general realignment of weaker ERM currencies which should have happened before black September.

But the Irish can still argue that the system has let them down.

Only two weeks ago EC finance ministers issued a statement welcoming the new Dublin government's determination to defend the punt's existing party inside the ERM as "entirely justified". Elsewhere, senior German officials have regularly appeared on Irish television or issued statement praising the government's anti-inflation credentials and dismissing a punt devaluation as unwarranted.

These statements were made at Dublin's request. That they failed in the end to count is unnerving – which may explain why some observers in Brussels are convinced that fresh speculative attacks inside the ERM are inevitable, the obvious target being the franc.

This threat has revived talk of a "fast track" to Emu, whereby a nucleus of hard-core currencies would create some form of monetary union ahead of schedule. "The possibility of devaluation of the franc is too big, it's too destabilising," said a diplomat who described a putative Franco-German initiative as "not the first option" but one designed to "save the ERM and Emu".

According to several officials in Brussels, Germany and France are considering how to take further steps toward monetary co-operation to restore credibility to Emu. These moves would not necessarily amount to a full union; but they would aim to impress markets that the two allies were serious about Emu, perhaps by narrowing the margin of fluctuation between the franc and D-Mark or even declaring the intention to swap observers on the boards of the Bundesbank and a future independent Bank of France.

Paris and Bonn deny concrete proposals are in the offing, but last week Mr Helmut Schlesinger, Bundesbank president, took the talk of an accelerated Emu seriously enough to set his formidable presence against it, on the grounds that it was not compatible with Maastricht.

And the venue he chose to deliver his speech was where the talk is loudest: Brussels.

THE FIVE-MONTH BATTLE FOR THE PUNT

September 4, 1992: EC finance ministers meet in Bath to discuss pressures in exchange rate mechanism.

September 13: Italy devalues by 7 per cent in ERM.

September 16: Sterling abandons ERM and Spain devalues by 5 per cent.

September 17: Punt falls to ERM floor against D-Mark. Finance Minister Bertie Ahern says he will "do what is necessary" to keep punt within ERM narrow band. Punt trades at 1.00 to sterling. Italy suspends lira from ERM.

September 28: Irish central bank raises base rates 3 points to 13.75 per cent after wholesale money market rates surge to 25 per cent.

September 30: Government announces it is borrowing I£500m abroad to rebuild reserves.

October 1: Sterling falls to 1.05 to the punt. Irish Exporters' Association warns that more than a third of members "are now facing serious problems".

October 8: Irish government announces I£50m "market development fund" to subsidise wage costs of exporting companies adversely affected by sterling's devaluation.

October 16: Birmingham EC summit.

November 4: Irish coalition collapses over beef tribunal allegations. Fianna Fail continues as minority government.

November 21: Spanish and Portuguese devalue by 6 per cent within ERM. Irish government dismisses as "speculative loose talk" rumours that it was offered the chance of joining in the realignment.

November 25: Labour party holds balance of power following general election. Negotiations begin on formation of new coalition.

November 30: Central bank increases overnight lending rate to 100 per cent. Meeting of 30 top industrialists concludes exchange rate is "unsustainable". Market analysts say that a devaluation "of at least 10 per cent" is necessary.

December 13: Edinburgh summit. Ahern makes impassioned appeal for support for the punt to EC colleagues.

January 1, 1993: All Irish exchange controls lifted under obligations of single European market.

January 4: On first post-holiday trading day, punt comes under renewed selling pressure. Inter-bank rates surge to 40 per cent.

January 5: Government exchequer returns for 1992 reveal that overseas holders of Irish gilts had sold I£1.8bn of I£4bn total since crisis began. Ahern says the economy cannot "stagger on indefinitely" and criticises "sweetheart deal" between Bundesbank and France to defend franc.

January 6: A new run on the punt. Drops to floor of ERM. Overnight lending rate increased from 14 per cent to 50 per cent.

January 8: Central bank raises overnight rates to 100 per cent as selling pressure continues. Banks and building societies warn they will have to increase commercial rates.

January 12: New Fianna Fail-Labour coalition formed, committed to defending punt, but with priorities set on job creation and new infrastructure investment.

January 18: EC finance ministers make strong statement in support of punt, but no concrete measures proposed.

January 22: Government announces I£1.1bn exchange rate guarantee fund, to avert threatened commercial and mortgage interest rate rises.

January 25: Opposition leader John Bruton calls for a devaluation "to save jobs".

January 26: British base rates cut 1 point to 6 per cent. Irish government says "the disadvantages of devaluation far outweigh the short-term advantages".

January 27-28: Renewed heavy selling of punt. Sterling falls to 1.09 to the punt. Central bank puts overnight rates back to 100 per cent.

January 30: Government requests a meeting of the EC monetary committee in Brussels. Punt devalued by 10 per cent within the ERM.

Hans Tietmeyer, the Bundesbank's vice-president, is confronted by reporters after Saturday's meeting of the monetary committee

Germany to hold steady course

By Christopher Parkes in Frankfurt

THERE may be more exchange rate tensions ahead, but the Bundesbank will stick to its prime tasks of maintaining D-Mark stability and holding the core of the European monetary system intact, German economists agreed yesterday.

"There is no chance of a sudden change of tactics or position," said Mr Peter Pietsch, an economist at Commerzbank. This view was tacitly supported by Mr Theo Waigel, German finance minister, who said the prime cause of the punt's devaluation was Ireland's close economic relationship with Britain.

It was important now that Ireland, where the economic fundamentals were "good", should continue with its stability-oriented policies so as not to endanger its progress toward economic convergence, he added.

The Bundesbank offered no comments on complaints from Mr Bertie Ahern, the Irish finance minister, that it had not supported the punt with the same resolve as it had the French franc. "The aim of our activities is to support [the monetary system] and therefore all member currencies, including the punt," a spokesman said.

However, the devaluation cast doubts on the German central bank's persistent claims, repeated last Thursday by Mr Helmut Schlesinger, Bundesbank president, that the exchange rate mechanism "has regained stability".

According to Mr Pietsc[illegible] there will be "more unrest [illegible] long as German short-te[illegible] interest rates remain high".

The Bundesbank's stan[illegible] support for the franc is b[illegible] partly on economic real[illegible] and partly on the nee[illegible] avoid drawing the blame [illegible] ERM breaks down.

Its interest rates poli[illegible] hardened by a 4.4 per cen[illegible] in the west Germany [illegible] sumer prices index in Ja[illegible] – is founded on the r[illegible] protect its credibility as [illegible] ian of a stable D-Mark.

According to Mr [illegible] Rosenstock, senior e[illegible] at the Industrial [illegible] Japan in Frankfu[illegible] month's increase [illegible] added tax accounted [illegible] 0.5 percentage points [illegible] ary's 1.1 per cent [illegible] month rise in prices [illegible] was due to unabated [illegible] in rents and the c[illegible] vices.

COMMUNIQUE[illegible]

New cen[illegible] rates in [illegible]

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The bilater[illegible] the Irish po[illegible] other curr[illegible] exchange [illegible] have been [illegible] cent.

The new [illegible] are the fol[illegible] national cu[illegible]

Belgian fra[illegible]
Danish kro[illegible]
D-Mark 1.9[illegible]
Peseta 142.[illegible]
French fra[illegible]
Irish pound [illegible]
Lux. franc 40.[illegible]
Dutch guilder 2[illegible]
Escudo 180.624
Lira* 1796.22 (16[illegible]
Sterling* 0.808431 [illegible] 05748,
Drachma* 259.306 (254.254)
*Outside ERM.

Government awaits the political counterpunch

By Tim Coone in Dublin

IRISH industry and farm leaders at the weekend expressed relief at the government's defeat in its battle to defend the punt. But the reversal is likely to lead to some tough political battles ahead.

Mr Michael Noonan, finance spokesman for the opposition Fine Gael party, described the decision to devalue as "an ignominious climbdown and a most dismal defeat for the government. They failed to put domestic policies in place that would convince the international community that we were serious about the defence of the currency and they also failed to convince our colleagues in Europe that they should come to our aid."

The resolve of Mr Bertie Ahern, the finance minister, was finally broken by the loss of political and business consensus at home and the threat of a sharp increase next week in mortgage and bank lending rates. He said yesterday: "I could not put my hand on my heart and recommend to the government that Irish mortgage holders and business should pay another 3, 4 or 5 per cent [on interest rates] for the sake of trying to win a battle for a European system where I was not getting even equal support that the French were getting."

Since the last of Ireland's exchange controls were lifted at the beginning of the year, interest rate management has been the government's main weapon to defend the punt. This has forced up commercial lending rates to record levels. Several key manufacturing associations, particularly in the textiles, food processing and engineering sectors, warned last week that thousands of job losses were in the pipeline, and urged the government to devalue. Farm leaders have been recommending a devaluation for months.

Although the immediate threat of big job losses and more interest rate rises has been averted by the devaluation, it is thought unlikely that commercial lending rates will fall from their current levels for some time yet. As a result of staying within the narrow band of the ERM, downward movements in Irish rates will still have to await cuts in German rates if further attacks on the punt are to be avoided.

'We have built in competitive advantage for future turbulence'

There is also lingering concern about whether the markets will see a 10 per cent devaluation as sufficient, especially if the UK pursues an aggressive interest rate policy.

Mr John Beggs, chief economist at Allied Irish Banks, said: "In the short term I would expect some improvement on the interest rate front. Looking beyond that, I think we have hitched our wagon to sterling and whether you agree with the devaluation policy or not, that is a problem we face."

Mr Ahern defended his no-devaluation stance. "If we had given in last September we could well be here today on the third or fourth devaluation." He said there would be no further devaluations. "We have built into the figures competitive advantage for future turbulence and we have done that to convince the markets that that is the end of speculation."

The country's priority now was to diversify further its exports away from the UK market.

The immediate cost to the government of the devaluation has been to increase the foreign debt by I£1bn and its servicing charge by I£80m per year. The new Fianna Fail-Labour coalition has committed itself to a job creation and public sector investment programme, which will entail a public sector deficit in the region of 3.2 per cent of GDP this year, and there is still some I£300m in commitments whose financing has not yet been resolved.

Mr Ahern promised yesterday that next month's budget would be a tough one, as any softening on that front would again encourage the speculators. This is likely to produce tensions within the ruling coalition, as Labour views job creation as a priority and will resist cuts in its favoured investment programmes.

The Irish Congress of Trade Unions, which supported the no-devaluation policy, also hinted yesterday that its policy of negotiated pay restraint over the past six years might now be reviewed.

France shrugs off threat

By William Dawkins in Paris

FRENCH government officials yesterday said they did not expect the devaluation of the Irish punt to have a knock-on effect on the franc.

"This is a purely Irish move, linked to the close connections between the Irish and the UK economies. It does not suggest that speculative attacks will recommence on other European currencies," a Finance Ministry official said. "The markets can be irrational, but this is not a decision which concerns the franc."

Some economic analysts suggested over the weekend that the punt's devaluation now left the franc alone in the front-line against speculators.

The French currency came under attack last week, but ended well above its ERM floor on Friday evening.

France's internal debate on monetary policy was given a fresh twist over the weekend when Mr Karl Otto Pöhl, the former Bundesbank president, was reported in the French press as telling the world economic forum in Davos that the franc could appreciate against the D-Mark if it was allowed to float, as the French economy was stronger than the German one.

The French government opposed floating the franc for political, not economic reasons, he said. A break in the link between the franc and D-Mark would be the end of the EMS, he added.

Mr Pöhl's remarks are likely both to cheer and worry the French government.

While a compliment to France's economic performance, it also offers ammunition to critics of the government's monetary policy, such as Mr Alain Madelin, the conservative former industry minister.

He has suggested that the franc should be allowed to float upwards against the D-Mark, to pave the way for a fall in interest rates to stimulate the sluggish economy.

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Japanese profits 'spurred by cheap finance'

By Charles Leadbeater in Tokyo

MOST of the restructuring undertaken by Japanese manufacturers in the 1980s, widely admired by their US and European competitors, failed to improve Japanese companies' profitability, according to a report published by the Bank of Japan.

Much of the apparent improvement in Japanese companies' financial performance in the last decade was a reflection of cheap finance rather than improved efficiency, it says.

The report casts doubt on one of the central tenets of manufacturing strategy in the 1980s widely adopted in the US and Europe, that Japanese industrial competitiveness was mainly a reflection of the flexibility and efficiency of Japanese factories.

It says that Japanese companies must radically restructure to markedly improve the earning capacity of their core businesses. Japanese companies are not only facing a sharp downturn in their domestic market but also a steep rise in the cost of capital which could severely impair their financial performance.

The Japanese approach to lean manufacturing has been widely followed by western manufacturers. It involves the rapid introduction of new models with a growing stress upon their design and technical sophistication to add value. Japanese electronics and automobile plants are designed with the flexibility to produce a wide range of models tailored to specific segments of the market.

The Japanese shift to lean-manufacturing was widely thought to be the foundation for Japanese industrial competitiveness. But, according to the report: "In the economic expansion phase from 1987, improved financial balances shrouded an ongoing decline in the earning capacities of core divisions. However, financial divisions are not likely to contribute to profit to any great extent and thus it is crucial that enterprises again revamp their earning capacity."

It says the improvement in Japanese companies' pre-tax profits to sales ratio in the last decade was mainly due to a fall in financial expenses reflecting the extremely low cost of capital during the late 1980s.

The gradual fall in operating profit margins suggests that management efforts to rationalise production, add more value to products and move to small lot production of a greater diversity of production, has not improved enterprises' core earnings capacity. The report says companies will have to cut costs and revise their medium-term business plans to cope with higher financial costs.

Corporate business under economic adjustment, Bank of Japan special paper No 224.

Mieno finally gives in to the political pressure

By Charles Leadbeater

MR YASUSHI MIENO, the Bank of Japan's governor, popularly known as "stonehead" for his determination and discipline, seems to have finally succumbed.

After months of pressure, which rose to a crescendo last week, the BoJ is expected to deliver within days its sixth cut in the official discount rate since September 1991.

The rate, which has stood at 3.25 per cent for the past six months is likely to be cut to either 2.75 per cent or 2.5 per cent, the low it reached during the height of the bubble economy of the late 1980s.

The fiercely independent Mr Mieno (left), promoted to governor with a mandate to burst the speculative bubble, has become increasingly troublesome to his political masters who desparately want a cure for the ailing economy.

The economic case for a further rate cut has become overwhelming. Consumer confidence remains depressed, while corporate investment is still falling sharply. Inflation is likely to fall to close to 1 per cent this year.

As the economy has declined so the political pressure on Mr Mieno has mounted. The ruling Liberal Democratic Party is concerned that the 1993 budget may be delayed in the parliament. That could set back plans for another spending package later in the year.

So an interest rate cut has become vital to maintain the momentum of expansionary policy to lift the economy away from recession. The bank's lack of independence from its political masters in the LDP was spelt out early last week, when Mr Yoshiro Mori, industry minister and vocal advocate for a more expansionary policy, indicated a rate cut was on the way.

A European central banker familiar with the Bank of Japan remarked: "At the end of the day the ministry of finance can get the Bank to do what it wants." But it has also become clear that Mr Mieno has acquired some powerful enemies who have been prepared to go to considerable lengths to discredit him.

The speculation flowed from an unprecedented article two weeks ago in a weekly magazine, which alleged that influential former finance ministry officials now in senior positions in banking and politics were plotting to replace Mr Mieno with a less independent governor. The conspiracy theories were fuelled last week by more strange goings on involving the BoJ.

On Tuesday Mr Tsuneo Wakai, president of the Federation of Bankers' Associations, head of the powerful Mitsubishi Bank and the figurehead of the Japanese financial establishment, threw his weight behind calls for a more expansionary policy.

The following day, a national newspaper published details of a highly confidential Bank of Japan report on Mitsubishi Bank's corporate strategy, which named banks Mitsubishi was keen to take over.

That day Mr Mieno cancelled a press conference blaming a cold, but there was little trace of this when he gave evidence to parliament the day after.

For the past few months Mr Mieno has been playing pass the parcel with the LDP. The BoJ has insisted it will not cut rates until public spending shoulders more of the burden for stimulating the economy.

A cut may give the politicians enough breathing space to enable them to finalise plans for a emergency spending package later in the year. But the lull could be short-lived, for the spotlight will swing inexorably onto the LDP's plans for tax cuts and public spending increases to save the economy from outright recession.

The politicians will then be the ones on the spot.

OBITUARY

Taikichiro Mori, Tokyo developer

MR Taikichiro Mori, the Japanese property developer and one of the world's richest men, died on Saturday, aged 88.

Mr Mori, who built up an empire through development of more than 80 of Tokyo's most prestigious office buildings, amassed a fortune estimated at $13bn in 33 years.

Control of the group, Mori Building, is expected to pass to Mr Mori's second son, Mr Minoru Mori. It is understood Mr Mori junior was made president of the company at a board meeting shortly after his father's death.

Mr Taikichiro Mori, ran a conservative financial policy, eschewing the rampant property speculation which spread through Tokyo during the bubble economy years of the late 1980s. However, it is thought that the group has not escaped the fall-out from the property market's collapse. Tokyo is facing an unprecedented glut of unsold office space as developments planned during the 1980's are completed.

Mr Taikichiro Mori became involved in his father's property business in 1959 at the age of 55, just as Japan's economic recovery from the second world war was gathering momentum. In the following 33 years he was largely responsible for the remaking of Tokyo as his large office buildings replaced the city's traditional clutter of narrow lanes crowded with small shops, workshops and houses.

Mori: lived a modest lifetsyle

Despite his great wealth he maintained a modest lifetsyle – he neither drank nor smoked.

In spite of his traditional personal values he was an avowed modernist as far as Tokyo was concerned. One of his most treasured projects is the Ark Hills high-technology office building in central Tokyo.

He began work on the scheme more than 20 years before when he purchased the first lot of land to make the redevelopment possible.

Charles Leadbeater

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES					JAPAN				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−159.7	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	−140.6	−150.0	0.9636	80.2	211.1	96.2	86.9	165.11	124.4
1987	220.2	−131.6	−141.6	1.1541	70.3	197.3	86.1	75.5	166.58	133.2
1988	272.5	−100.2	−107.0	1.1833	66.0	219.8	80.7	66.6	151.51	147.3
1989	330.2	−99.3	−91.8	1.1017	69.4	245.3	70.5	52.4	151.87	141.9
1990	309.0	−79.3	−70.9	1.2745	65.1	220.0	50.1	28.3	183.94	126.0
1991	340.9	−52.3	−3.0	1.2391	64.5	247.5	83.2	63.0	166.44	137.0
1992				1.2957	62.9				164.05	142.9
1st qtr.1992	87.3	−11.7	−4.7	1.2623	63.5	65.0	28.1	22.7	162.21	142.2
2nd qtr.1992	86.7	−16.6	−14.0	1.2717	63.6	63.1	25.4	22.6	165.60	139.9
3rd qtr.1992	80.6	−18.0	−10.3	1.3831	60.1	61.4	24.3	20.3	172.79	139.8
4th qtr.1992				1.2857	64.2				155.57	149.7
1992 January	27.4	−4.5	n.a.	1.2926	61.9	21.5	8.0	5.4	161.84	143.8
February	29.8	−2.6	n.a.	1.2634	63.4	21.7	9.3	7.7	161.18	143.3
March	30.1	−4.6	n.a.	1.2308	65.1	21.9	8.7	9.6	163.61	139.6
April	29.3	−5.7	n.a.	1.2436	64.8	21.0	7.6	7.5	165.92	138.2
May	28.2	−5.7	n.a.	1.2676	63.8	20.9	9.3	8.6	165.57	139.7
June	29.3	−5.2	n.a.	1.3039	62.3	21.2	8.5	6.5	165.32	141.7
July	27.6	−5.3	n.a.	1.3693	60.5	20.5	8.4	7.0	172.21	139.2
August	25.5	−6.4	n.a.	1.4014	59.8	19.7	7.6	6.1	177.11	137.0
September	27.5	−6.2	n.a.	1.3786	60.2	21.2	8.3	7.2	169.05	142.5
October	29.6	−5.5	n.a.	1.3210	62.1	21.6	9.2	7.9	159.93	148.2
November	30.7	−6.1	n.a.	1.2372	65.1	22.2	9.1	9.4	153.22	150.3
1992 December				1.2389	65.3				153.58	150.7

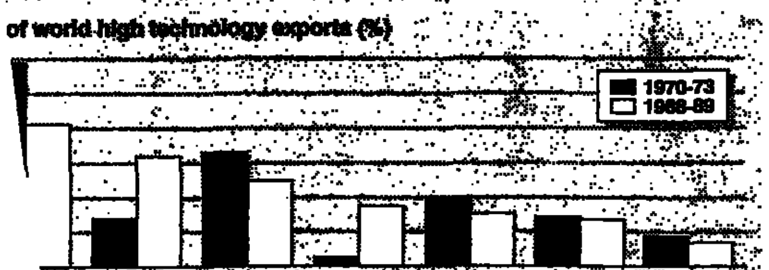
	GERMANY					FRANCE				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.3*	*21.7*	2.2260	*100.0*	133.4	−3.6	−0.2	6.7942	100.0
1986	*248.6*	*53.4*	*40.3*	2.1279	*108.8*	127.1	0.0	3.0	6.7946	102.8
1987	*254.3*	*56.8*	*39.8*	2.0710	*115.3*	128.3	−4.6	−3.6	6.9265	103.0
1988	*272.6*	*61.6*	*42.9*	2.0739	*114.6*	141.9	−3.9	−3.4	7.0354	100.8
1989	*310.2*	*65.3*	*52.2*	2.0681	*113.5*	162.9	−6.3	[illegible]	7.0189	99.8
1990	324.0	51.7	37.0	2.0537	119.1	170.1	−7.2	[illegible]	6.9262	104.8
1991	327.4	11.1	−16.1	2.0489	117.7	175.4	−4.2	[illegible]	6.9643	102.7
1992				2.0187	121.2	182.2	4.3	[illegible]	6.6420	108.0
1st qtr.1992	83.2	3.1	−4.3	2.0422	118.8	45.4	0.9	−1.1	6.9492	103.4
2nd qtr.1992	80.9	3.5	−4.8	2.0511	118.7	46.2	1.5	0.8	6.9122	104.4
3rd qtr.1992	84.0	6.5	−6.6	2.0221	122.1	45.2	0.9	−0.2	6.8535	106.6
4th qtr.1992				1.9693	125.0	45.3	0.8	[illegible]	6.6629	109.3
1992 January	27.2	0.3	−3.2	2.0365	119.3	14.9	0.52	−0.11	6.9476	103.6
February	27.5	1.1	−0.9	2.0443	118.6	15.0	0.11	−0.08	6.9572	103.3
March	28.2	1.7	−0.2	2.0468	118.4	15.5	0.23	−0.86	6.9429	103.4
April	29.5	2.4	−0.9	2.0483	118.6	15.8	1.10	0.06	6.9274	103.9
May	28.4	0.6	−1.9	2.0651	118.4	15.0	0.59	1.38	6.9090	104.5
June	25.0	0.5	−1.9	2.0498	119.1	15.4	−0.36	−0.54	6.9001	104.9
July	28.3	1.0	−3.8	2.0410	120.7	15.5	0.86	0.05	6.8872	106.0
August	27.9	3.3	−0.9	2.0326	122.0	14.2	−0.45	0.02	6.8944	106.3
September	27.8	2.3	−1.8	1.9927	123.6	15.6	0.52	0.13	6.7792	107.6
October	28.8	2.7	−0.8	1.9564	125.7	15.1	0.12	0.99	6.6368	110.0
November	26.7	0.8	−0.3	1.9634	124.0	15.1	0.05	−0.11	6.6426	109.0
1992 December				1.9581	125.3	15.1	0.81		6.6793	108.9

	ITALY					UNITED KINGDOM				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−6.4	1443.0	100.0	132.4	−5.7	4.7	0.6890	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4	108.3	−14.2	0.1	0.6708	91.6
1987	100.7	−7.5	−2.1	1494.3	101.2	112.3	−16.4	−6.4	0.7047	90.1
1988	108.3	−8.9	−8.0	1536.8	97.8	120.9	−32.3	−24.3	0.6643	95.5
1989	127.8	−11.3	−14.0	1509.2	98.6	137.0	−36.7	−32.3	0.6728	92.6
1990	133.6	−9.3	−19.4	1523.2	100.6	142.3	−26.3	−23.8	0.7150	91.3
1991	137.0	−10.5	−26.0	1531.3	98.9	147.7	−14.7	−9.0	0.7002	91.7
1992				1591.5	96.7	145.1	−18.7	−16.1	0.7359	88.4
1st qtr.1992	34.3	−5.1	−7.6	1535.7	99.0	36.7	−4.3	−4.0	0.7125	90.6
2nd qtr.1992	35.8	−3.6	−11.1	1546.3	98.5	38.0	−4.5	−4.4	0.7034	92.3
3rd qtr.1992	32.9	0.5	−8.2	1564.6	98.2	36.4	−4.5	−3.0	0.7261	90.9
4th qtr.1992				1719.4	87.1	34.3	−5.4	−4.6	0.8015	79.8
1992 January	10.7	−2.0	−3.2	1534.9	99.1	11.6	−1.6	−1.53	0.7131	90.8
February	11.4	−1.4	−2.2	1535.6	99.0	12.6	−1.4	−1.33	0.7105	90.9
March	12.1	−1.6	−2.2	1536.7	98.8	12.5	−1.2	−1.16	0.7141	90.1
April	11.7	−1.2	−3.9	1542.0	98.6	12.4	−2.0	−1.90	0.7076	91.4
May	11.5	−1.9	−3.4	1546.6	98.5	13.0	−1.2	−1.17	0.7000	92.8
June	12.7	−0.6	−3.8	1559.3	98.5	12.5	−1.3	−1.30	0.7027	92.9
July	13.9	0.8	−4.4	1546.2	98.5	12.3	−1.6	−1.06	0.7137	92.5
August	7.7	1.1	−2.4	1543.4	100.1	12.3	−1.6	−1.09	0.7219	92.0
September	11.3	−1.4	−1.4	1604.1	95.0	11.8	−1.3	−0.85	0.7428	88.2
October	12.4	0.1		1723.8	87.3	11.5	−1.4	−1.19	0.7969	80.8
November	10.8	−1.2		1687.0	88.7	11.4	−1.7	−1.50	0.8100	78.3
1992 December				1747.5	85.6	11.5	−2.2	−1.93	0.7976	80.0

gures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

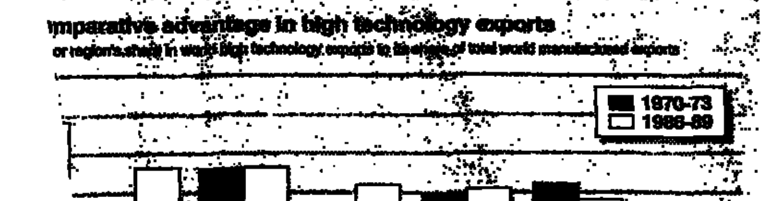
ers and losers in high technology trade

of world high technology exports (%)



mparative advantage in high technology exports

or region's share in world high technology exports to its share of total world manufactured exports



Tyson

*Hong Kong, S.Korea, Singapore, Taiwan

The limits to promoting high-technology industry

THE DOMINANT position of the US in "high-technology" industry in the postwar era is eroding, largely in favour of Japan. Does this matter and can anything be done about it? What makes these questions both timely and important is that leading figures in the Clinton administration think that the US government can and, indeed, should do something about it.

The signal was the controversial appointment of Laura D'Andrea Tyson as President Clinton's chairman of the Council of Economic Advisors. Her starting point is a belief that comparative advantage in the industries she labels as high technology – chemicals, pharmaceuticals, military equipment, advanced engineering, computers, telecommunications, electronics, aerospace and scientific instruments – "can be created by government action."

The reason for concern is evident. In the early 1970s the US accounted for almost 30 per cent of world high-technology exports. By the late 1980s, this share was down to 21 per cent (see chart). Meanwhile, the great successes have been Japan, whose share rose from 7 to 16 per cent and Hong Kong, South Korea, Singapore and Taiwan, whose combined share rose from just over 1 to almost 9 per cent.

"Revealed comparative advantage" is another way of looking at the process (see chart). A country has a high (low) revealed comparative advantage in a product group if its share in world exports of the product group is higher (lower) than its share in total world exports of manufactures. The revealed comparative advantage of the US in high-technology industry has, indeed, declined a little since the early 1970s, while it has soared in the cases of Japan and the east Asian NICs.

What might this mean for policy?

One question is whether the US government *should* respond to this decline by focusing its efforts on supporting particular high-technology industries.

Certainly, Prof Tyson does not prove that countries thrive economically because of their success in particular high-technology industries, rather than succeed in high-technology as a result of their general economic success.

A prior question, however, is whether these trends *can* be reversed by policy. In a recent article, Richard Nelson and Gavin Wright conclude that postwar American technological leadership has been eroded because fundamental US advantages – notably, market size and superior higher education – have diminished.(2)

"Over the postwar era," they argue, "commodity and resource trade, business and finance, and technological communities, have all become increasingly transnational rather than national." Their conclusion is that "techno-nationalism," policies aimed at giving national companies an edge in an area of technology, does "not work very well any more."

Internationalisation is an important limit on the effectiveness of policy. Yet there is another one. A country's comparative advantage may, indeed, not be determined by natural resources, but governments can still not make it whatever they would like it to be. As Prof Tyson recognises, for example, the causes of high-technology trade include what must be deep-seated "national differences in educational systems and technological capabilities."

The point should be pushed further. Japanese success in high-technology industry is to be explained by high rates of savings, attitudes to education, relationships inside and among companies, the goals and structure of government and relationships between companies and governments. Nothing an American administration can do will make the US like Japan in these respects. Nor will Japan become like the US. But a huge amount of effort and international goodwill can be wasted in trying.

Martin Wolf

(1) Laura D'Andrea Tyson, Who's Bashing Whom? Trade Conflict in High-Technology Industries (Washington DC: Institute for International Economics, 1992). (2) Richard R. Nelson and Gavin Wright, The Rise and Fall of American Technological Leadership, Journal of Economic Literature, December 1992.

Plan to cut cost of living rises a landmine says finance committee chief

Clinton warned over pensions

By Jurek Martin in Washington

PRESIDENT Bill Clinton was given early warning yesterday that any proposal to limit the automatic cost of living increases in social security pensions would face fierce Democratic opposition in Congress.

Senator Daniel Patrick Moynihan of New York, chairman of the finance committee, through which any such proposal must pass, described the idea as "a landmine" and "a death wish". He added: "Let's get it out of the way right now."

Retirement benefits, he insisted, were not an entitlement, but the fruits of fully paid-up insurance and were disbursed out of a trust fund that was in comfortable surplus.

However, Senator Moynihan said he was prepared to talk about increasing income taxes on pension benefits, another option known to be under consideration by the Clinton cabinet, which finished a weekend of deliberations on deficit reduction and economic stimulation at the Camp David retreat yesterday afternoon.

A temporary freeze on pension cost of living adjustments has been proposed by Mr Leon Panetta, Mr Clinton's budget director, apparently with the support of some influential Democratic members of Congress such as Mr Richard Gephardt, the House majority leader.

Retirement benefits account for about one quarter of the federal budget and a one-year freeze on indexed increases could save as much as $15bn (£9.9bn) in the first year. Sen Moynihan, however, disputed these calculations.

Governor Roy Romer of Colorado, the Democratic chairman of the national governor's conference, which is holding its winter meeting here, also said yesterday that changes in social security as part of the deficit reduction plan had to be "on the table".

The only semi-authoritative comment from the administration came from Mr Roger Altman, the deputy treasury secretary, who said, neutrally, in a television interview recorded before the Camp David discussions began that he did not know which way the decision on indexation would fall. But he added; "There are some people who are strongly opposed."

Mr Altman did confirm that the stimulus package under consideration was "roughly $20bn" – made of about $15bn in additional spending and $5bn-$7bn "on the tax side".

Two weekend polls suggested that Mr Clinton's popularity is still holding up quite well. Weekend newspapers were also filled with much introspection over whether the media were being too hard on the new president and were possibly out of touch with the nation at large.

The essence, but not all the details, of Mr Clinton's proposals is to be contained in his first state of the union message on February 17, to be followed by his first budget about a month later.

Republicans told to shift on abortion

By Jurek Martin

MR Haley Barbour, the new Republican national chairman, said at the weekend the party needed "its head examined" if it continued to make opposition to abortion the cornerstone of its political platform.

Mr Barbour, a Washington lawyer-lobbyist from Mississippi who served in the Reagan White House, was elected to the position on the third ballot of the party meeting in St Louis on Friday night. In an acceptance speech on Saturday, he repeated warnings to the religious right wing of the Republican party delivered by the outgoing chairman, Mr Rich Bond.

But, in an implicit criticism of the Bush administration, he said the party should not be dominated by the Washington elite and must rebuild its "bottom up" grassroots strength.

The power of the right wing is rooted at the local level and it was very much in evidence in St Louis, even though Mr Barbour, his personal opposition to abortion notwithstanding, was not its first choice as chairman.

Mr Bond's speech was virulently condemned by hardline conservatives, who noted, pointedly, that he had presided over last August's nominating convention, which had focused so much on traditional family values.

Cossacks to unite militias in own army

By John Lloyd in Moscow

COSSACK leaders agreed at the weekend to create a Cossack State Service from March 1, bringing together the claimed 4m Cossacks who have formed militias throughout Russia and in Russian communities in other former Soviet republics.

The Cossacks, descended from frontier settlers under the Tsars, are concentrated in the southern part of Russia around the River Don. They have become increasingly involved in protecting the Russian population in regional conflicts in the Caucasus and announced the close of their convention in Russia.

Two other hardline groups held conventions in Russia over the weekend.

The once-banned National Salvation Front, a largely nationalist grouping, claimed that it had sent 18 volunteers from a recently created Russian National Legion to fight in Serbia. Mr Nikolai Lysenko, leader of the National Republican Party, told the RIA news agency that the Legion had enrolled an army of 300.

Mr Mikhail Asatfiev, lead[er] of the Constitutional Dem[o]crats, called for a boycott [of] the referendum on the cons[ti]tution called for April 11 - a[nd] demanded elections.

The meetings were held [as] the official Itar Tass n[ews] agency claimed an army m[an] had been arrested on Satu[rday] for plotting the assassina[tion] of Mr Boris Yeltsin, the [Rus]sian president, as a "con[tribu]tion to the cause of socia[lism]".

Major Ivan Kislov, w[ho] deserted from his base [in the] Far East on December [...] arrested in the main [...] ment complex last Wed[nesday] where he was hiding [in an] attic room. Itar Tass [...] Major Kislov as say[ing he] planned to disguise hi[mself as] a snow sweeper and [assassi]nate Mr Yeltsin with [...]

In St Petersburg, [a confer]ence of hardline co[...] groups protested ag[ainst the] "anti-popular" polic[ies of the] Russian governm[ent and] called for the unity [of com]munist and nationa[list ...]

Russia's new prime minister, Mr Viktor Chernomyrdin, yesterday pledged commitment to market reform and urged the west to agree quickly on a programme to restructure his country's foreign debt, Reuter reports from Davos.

He told an international gathering of business and political leaders that easing of the debt burden was essential to help his government fight hyperinflation and bring order to the Russian economy.

Clash heightens confusion over Brazil economy

By Christina Lamb in Rio de Janeiro

THE conflicting signals emerging from the Brazilian government on economic policy intensified over the weekend with a showdown between President Itamar Franco and his economics team over interest rates.

The confusion started on Friday night when the Central Bank announced a 0.5 percentage-point rise in interest rates to keep up with inflation, which is running at around 30 per cent a month, its highest rate for three years.

A furious Mr Franco countered with an official note reversing the decision, and adding: "High interest rates generate recession and unemployment and are ineffective in containing inflation."

Since taking office in December, Mr Franco has made low interest rates to spur growth his main policy plank. In the absence of fiscal reform, however, real interest rates remain the government's only weapon against inflation and they have been rising steadily this month. Economic uncertainty has pushed overnight market rates to 42.5 per cent a month and last week the market refused to accept 28-day Treasury paper for the first time in two years.

Mr Paulo Haddad, the economy minister, and his team spent Saturday arguing the case for high real interest rates to Mr Franco. After this, in the second official communiqué within 24 hours, Mr Franco agreed to short-term "technical adjustments". However, he reaffirmed his objection to a prolonged high interest rates.

Mr Haddad yesterday confirmed that the government was working on a stabilisation programme, but discounted the possibility of a shock plan.

However, the public battle over interest rates has added to the uncertainty about economic policy in Brazil, and Mr Haddad's future now seems in doubt.

Commerce deputy nominated

By Louise Kehoe in San Francisco

PRESIDENT Bill Clinton has nominated Mr John Rollwagen, chairman and chief executive of Cray Research, to be deputy secretary of commerce.

The nomination fulfils widespread expectations among US high technology industry executives, who gave Mr Clinton their support during the election campaign, that one of their number would join the new administration.

Mr Rollwagen, 52, has headed Cray, the world's largest maker of supercomputers, since 1977. He is a founding member of the Computer Systems Policy Project (CSPP), a group of computer industry chief executives who worked closely with the Clinton election campaign on high technology policies.

Mr Clinton said that Mr Rollwagen would work with Mr Ron Brown, commerce secretary, "to make the Commerce Department a powerful part of our administration's work of restoring the competitiveness of American business".

Evacuees, mostly Belgian, arrive by boat in Brazzaville at the weekend after fleeing mutinying troops in Kinshasa

Foreigners flee Zaire mutiny

By Julian Ozanne in Nairobi

FOREIGNERS began leaving Zaire over the weekend as relative calm appeared to have been restored after mutinous soldiers went on a two-day rampage of shooting and looting in the capital which left 65 people dead.

The exodus of the expatriate community, already severely diminished as a result of frequent outbreaks of violence during the past 18 months, will further damage the collapsed economy of black Africa's second largest country.

The latest outbreak of violence will also exacerbate the country's instability and deepen an 18-month-old political crisis as a divided pro-democracy opposition continues to try to wrestle power from President Mobutu Sese Seko.

France began evacuating 160 expatriates from Kinshasa yesterday, ferrying them by boat under military escort across the Zaire river to Brazzaville, the capital of neighbouring Congo. About 300 foreigners, mostly Belgians and Germans, escaped the city on Saturday aboard President Mobutu's luxury riverboat.

There are about 7,000 Europeans resident in Zaire and a much larger community of African expatriates. Many of them had their houses and businesses gutted during the two days of violence by soldiers angry about the introduction of worthless Zaire 5m banknotes.

Elite troops from Mr Mobutu's Special Presidential Division appeared to have re-asserted control by Saturday.

Zambia to scrap exchange contro[ls]

By Tony Hawkins in Lusaka

ZAMBIA plans to abolish exchange controls inherited at independence nearly 30 years ago, Mr Emmanuel Kasonde, the finance minister, announced on Friday in the course of an innovative budget warmly welcomed by western donors.

In a move thought to be without precedent in Africa, Mr Kasonde said the central bank would be given the authority to prevent government ministries from spending more than the amounts voted by parliament.

Despite drought, falling GDP, and an 80 per cent rise in public spending, Mr Kasonde presented a balanced "cash limits" budget, warning that the country could no longer afford to live beyond its means.

Government would stop borrowing from the central bank, monetary growth would slow, and private sector investment would no longer be crowded out, the minister told the national assembly.

Mr Kasonde sa[id govern]ment no longer p[...] in setting the ex[change rate ...] the Zambian k[wacha ...] liberalised inte[rest rates ...] was funding g[overnment ...] by a treasury [bill sys]tem. Legislat[ion ...] exchange cont[rols ...] later this year[...]

Croatian leader vows to take over Serb enclave

By Laura Silber in Belgrade

CROATIAN President Franjo Tudjman yesterday vowed to gain control of a disputed Serb enclave following the successful Croatian offensive across United Nations lines.

Undeterred by the UN Security Council condemnation of the offensive, Mr Tudjman warned he would not shrink from force to restore Croatia's territorial integrity.

"We will liberate them [Serb-held territory] with the help of the United Nations; if not, we will do it ourselves. We will try to act in a peaceful way in order to have fewer victims but, as I said, we will liberate the last inch of Croatia from Serbian Chetnik occupation," he said in Porec, a town on Croatia's northern Adriatic coast, in the run-up to elections for the upper house of the Croatian parliament.

Mr Tudjman repeated that Croatia's approval of the UN peace plan, due for renewal in a month, hinged on the return of Croat refugees, the disarming of Serb militias and the reopening of road and communications links to the four UN zones.

In violation of the year-long peace plan, which created UN protected areas comprising Serb enclaves in Croatia, Serb militias have refused to disband and have blocked the return of refugees, forced from their homes during the seven-month Serbo-Croat war.

During their nine-day offensive into the Serb enclave, Croat forces seized control of the vital Maslenica bridge, which joins mainland Croatia to the Dalmatian coast, the nearby Zemunik airport and the damaged Peruca dam, mined by Serb rebels during the war.

A team of British engineers yesterday inspected a crater which appeared at the weekend, renewing fears that the dam would flood the farmland below.

Oxford University Professor Paul Back said the emergency measures taken by Croat engineers to drain the 12-mile reservoir appeared to be working. But the crater, 16ft wide and 10ft deep, revived fears that the clay core of the dam was eroding.

Meanwhile in neighbouring Bosnia, a truce between Moslems and Croats, nominal allies against Serb forces, appeared to be holding around Zenica, central Bosnia. But Bosnian radio said the old town centre of Sarajevo, besieged by Serb fighters, came under fierce artillery fire at the weekend.

Bosnian President Alija Izetbegovic, a Moslem, yesterday dismissed hopes of an agreement the Geneva peace talks. "To be honest we only believe in ourselves but we need arms," he said in Zagreb, the Croatian capital, on the way back from Geneva.

Bosnia negotiators count considerable achievements

Robert Mauthner talks to Lord Owen about the peace process

Lord Owen (right) with Cyrus Vance: 'It's no use getting on to your high horse'

LORD Owen and Mr Cyrus Vance, the ringmasters of the international conference on Bosnia-Hercegovina, have lost a battle, but they are convinced that they have not yet lost the peace.

After five months of some of the most intensive negotiations in recent diplomatic history, they have been obliged to send back their proposed peace package to the United Nations Security Council in the hope that its endorsement by the world body will finally bring the warring parties in Bosnia to their senses.

Though clearly disappointed that they were not able to wrap up an overall agreement in Geneva, the mediators have nothing to be ashamed of. They managed, almost miraculously, to persuade the bitter Bosnian adversaries to sit round the same negotiating table for four weeks and reach at least a partial accord on a constitutional framework.

The pace of the negotiations has been relentless. During the short intervals between sessions, Mr Vance and Lord Owen have travelled ceaselessly between Geneva, Belgrade, Zagreb and Sarajevo, to lay the groundwork for an agreement.

"I think I have never worked so hard," Lord Owen said in an interview. "The foreign secretary is a tough job and so is being a junior hospital doctor [Lord Owen has been both at some stage in his life]. But we have worked incredible hours and travelled a long way. It's cost me one slipped disc," he said wryly.

Many people have been surprised by the close partnership between these two men of different generations and with such dissimilar temperaments. But Lord Owen has a simple explanation. "We have been very close friends ever since we were foreign ministers together [in the late 1970s]. I think I can fairly say it was one of the closest British-American relationships in foreign affairs that there has ever been.

"The whole Anglo-American Rhodesian plan, which laid the foundations for Zimbabwe's independence, was done between us. We used to travel and give press conferences together in Africa. So the act that you see here actually has a past history."

Even so, how were clashes avoided between the often abrasive and irritable David Owen and the outwardly gentle, but inwardly tough Cyrus Vance? "I think most people are amazed by the chemistry," says Lord Owen. "I don't know why the chemistry works, but I can only say that, from my part, it's just deep, profound respect."

Indeed, David Owen clearly regards "Cy" as the senior partner, which doesn't prevent him from sometimes upstaging him in public. It was Mr Vance who first proposed Lord Owen as the European Community's representative in the mediation partnership, after it became clear that Lord Carrington was anxious to give up the job. And it was Mr Vance who has been the conference's chief disciplinarian.

"In August last year we agreed that we would give it six months," Lord Owen says. "It was Cy's concept that you had to come to Geneva, that you had to stay here and live, breathe, dream and eat the problem, and that people had to be flowing in and out of your office all hours of the day and night. And that you had to be near enough to go in and out of Yugoslavia and that we had to be in continuous session."

It was also Mr Vance, according to Lord Owen, who insisted that President Slobodan Milosevic of Serbia should be closely associated with the negotiations, a move which brought quick results when Mr Milosevic put pressure on Mr Radovan Karadzic, the Bosnian Serb leader, to accept the mediators' constitutional principles for Bosnia-Hercegovina.

"Having negotiated the ceasefire [of January 1992] in Croatia with Milosevic, Cy Vance has always been clear that we must never ostracise him," Lord Owen says. "We never did. Cy's relationship with him is a very important one. There is trust there, at a level of man for man."

Lord Owen, too, has considerable respect for Mr Milosevic's capacities, though clearly not for his past policies. "Extremely well-informed," "a politician to his finger tips," "able to grasp every single nuance" of a problem, are among the phrases he uses to describe the Serbian leader.

However, it was not until Mr Milosevic won the recent Serbian presidential election that he was prepared to put his weight behind a Bosnian settlement. "He now has a real power base," Lord Owen says. "He is now prepared to take on the hard right, he is prepared to deal with the issue [Bosnia] and he is heading towards leading Serbia back into the European family. I have no doubt of that."

"He has made grievous mistakes and I think he has understood that, like a lot of the intelligentsia who went down the nationalist, greater-Serbian route.

"They won't change their philosophy that the Serb people must be protected wherever they are. But they have understood the fact that they cannot do this by force of arms. Serbia and Montenegro have also understood, I think, that they have the capacity to be very powerful players in this part of Europe and that, as the pariahs of Europe, they have no chance of achieving this."

Though clearly worried about the adverse effect that an escalation of the fighting between Croats and Serbs in Krajina may have on the peace process, Lord Owen continues to look on the bright side of things. "The fighting has had a double effect. I think the fact that the Security Council passed a resolution critical of Croatia has actually helped to give the Serbians confidence that the Security Council is not packed completely against them, as they had previously thought."

Lord Owen still believes that, if the right sort of pressure is exerted by the Security Council, the warring Bosnian factions can be persuaded to reach an agreement in New York. But he is sharply critical of any suggestions, on the lines of those mooted by some members of US President Bill Clinton's entourage, that the embargo on arms exports to the Bosnian Moslems should be lifted.

Pointing out that the arms embargo applies to all the warring factions of the former Yugoslavia, Lord Owen says that, if you lift it for one side, you would also be lifting it for everybody else, "pouring fuel on the flames".

"I personally think that, if we were to lift the arms embargo, people wouldn't stay involved in the UN humanitarian effort."

His credo as a mediator is unambiguous. "I haven't ceased for one moment my indignation and anger about ethnic cleansing. But it's no use getting onto your high horse and saying you won't talk to this or that person because they are branded as war criminals. You have to be objective and fair-minded and genuinely seek a negotiated settlement and leave the moral judgments to others.

"But in your own mind, there must be a determination that what has happened in the former Yugoslavia must be reversed, an absolute belief that we are not going to have the Moslems treated like the Jews once were in Europe and that we must acknowledge that this is a wrong that has got to be righted."

ICI manual workers set to receive 14.5% pay rises

By Robert Taylor, Labour Correspondent

IMPERIAL Chemical Industries' 20,000 manual workers look set to receive pay rises of at least 14.5 per cent during their 12-month wage round that ends in June.

This figure compares with private-sector increases averaging just over 3 per cent. The government is seeking to impose a 1.5 per cent pay limit in the public sector.

ICI insists the rises being negotiated at local level are self-financing and the price is worth paying because it involves sweeping changes in working practices.

So far 3,000 workers at the company's sites at Grangemouth, Huddersfield and Yalding in Kent have received 6 per cent increases in their wages as a result of workplace reforms that involve greater worker flexibility and multi-skilling.

They will receive two further rises of 4 per cent each on the first and second anniversaries of the deals .

Shift and other allowances and call-out payments are also being increased under the local deals by 6 per cent. As a result, ICI manual worker salaries will now range from between £10,734 on the company's grade three to £16,011 a year on grade nine.

The company said it expected the rest of its manual workforce to reach agreement on workplace changes at local level over the next few months.

All will receive the same pay increases as a result.

The 6 per cent rises are in addition to the 5.1 per cent ICI manual workers received in June through the company's normal annual pay negotiations and the 3.5 per cent acquired in the following month from the company's employees profit scheme.

ICI points out that the local pay deals derive from the 1991 agreement signed with the five unions recognised by the company. This replaced a 1969 company-wide staff agreement and involves a shake-up in work organisation across the company's 13 plants. It has taken over 18 months of intensive local negotiation for the workplace changes to be agreed.

The ICI deal looks considerably more generous to the workforce than similar agreements reached elsewhere more recently in British industry.

Last year's Japanese-style working practices package accepted by the Rover Group, for example, involved no extra pay inducements but improved job security and the introduction of common terms and conditions for all its workers.

US computer group takes over data processing for retailer

By Alan Cane

BhS, the clothing and homeware retailer which used to be known as British Home Stores, is turning over its data processing operations to a US computing services company in a deal which will be one of the biggest facilities management contracts in Europe.

The US company, Computing Sciences Corporation, will take over BhS's data processing centres, computers and 120 data processing staff. A few BhS computing staff will remain to monitor developments.

The deal is worth about £10m a year over 10 years and is expected to save BhS at least £33m over that term. In an unusual development, the two companies plan jointly to market data processing services and software systems to other companies.

Mr Simon Hughes, BhS logistics director, said the relationship with CSC was more of a partnership than a commercial contract. The aim was not simply to save money but to ally the company with a computer group capable of developing leading edge technology.

CSC will be responsible for every aspect of BhS's computing operations including the management of its computerised cash registers, its electronic transmission of information to suppliers, management and accounting systems, personal computers and its data transmission network.

Facilities management or "outsourcing" of computing operations is becoming increasingly popular with companies as they seek to cut costs and concentrate on their core business.

BhS, with 130 high street stores and annual sales of more than £600m, is making a strong comeback after some years of stagnation and falling profits as a member of the Storehouse conglomerate.

Computing Sciences Corporation is one of the world's leading computing services suppliers and in the US has already contracted an outsourcing deal with General Dynamics worth $3bn over the life of the contract.

Britain in brief

Industry backs Maastricht, survey finds

Some 75 per cent of British industry and local authorities would vote in favour of the Maastricht treaty if the UK held a referendum, according to a poll. However, 37 per cent believe they receive unfair treatment from Mr Jacques Delors, president of the European Commission.

The poll was conducted by the UK-based political consultancy Decision Makers among the top 1,000 UK companies and 500 local authorities as well as the top 1,000 companies elsewhere in Europe.

Export cover rethink urged

Britain could become the only European country without government cover for export risk unless ministers rethink their plans, Mr Robin Cook, Labour opposition trade and industry secretary, warned yesterday.

In a letter to Mr Michael Heseltine, trade and industry secretary, Mr Cook emphasised the difficulties experienced by the commercial insurance market since the Export Credits Guarantee Department was partly privatised.

There was, he said, "broad agreement that there is not the capacity to provide export reinsurance, particularly for political risk".

Docks decision to be delayed

The government intends to delay a definitive decision on the future of the naval dockyards at Rosyth and Devonport in an effort to avoid a repeat of the pit closure fiasco.

Its initial announcement is expected to set out the government's "preferred" course of action for the yards, including the crucial choice of which should become the sole site for refitting the navy's nuclear-powered submarines.

Rosyth is in central Scotland, Devonport in south-east England. Both yards, which have been under separate private-sector management since 1987, regard the submarine work as vital for their survival in the business of servicing a reduced fleet. Rosyth has up to now handled Britain's four Polaris missile submarines and has shared work on other submarines with Devonport.

The larger Devonport site is widely regarded within the Ministry of Defence as the clear favourite, but the government has been facing a growing political campaign in favour of the Scottish yard.

Confidence up says survey

Britain's independent companies are increasingly confident about business prospects in the UK, according to a survey of 1,000 companies by 3i, the investment capital group.

The survey, conducted earlier this month, reports the highest level of confidence among small and medium-sized independent companies since the autumn of 1988.

Companies in all regions say that they expect their profitability to rise over the next three months. In October, 37 per cent of respondents expected profitability to fall but that figure has fallen to 25 per cent.

England's cricket team put up sterner resistance on the third day of the first test in Calcutta and at the close of play had reached 128 for two wickets in their second innings.

England, who started the day at 88 for five, in reply to India's first innings score of 371, were bowled out for 163 and forced to bat again. In the second innings Mike Gatting and Alec Stewart batted well and England ended the day 80 runs behind. India's P Amre (above) attempts to take a catch from Stewart

Government blamed for increasing burden of red tape

By Charles Batchelor

THE increasing burden of red tape on British business is partly caused by the ambivalence of the Department of Trade and Industry and the Treasury towards deregulation, according to a paper published today by the Social Market Foundation.

The paper is written by Mr David Willetts, a Conservative MP, who was formerly a Downing Street policy adviser and director of the Centre for Policy Studies, the right-wing think-tank. It is published a day before a seminar called by Mr John Major, prime minister, where ministers and senior government employees are expected to explain plans for deregulation.

Mr Willetts says red tape has increased steadily since the mid-1980s and represents a serious obstacle to the creation of a flexible, dynamic economy. An important reason for the growth in regulation is the ambivalence of the two main ministries involved, Mr Willetts suggests. The DTI is concerned mainly with large companies, which often regard regulation as a useful barrier to competition. The Treasury sees regulation as a way of attaining policy objectives without the need for public spending.

Mr Willetts targets 10 areas of government legislation for action, including the Companies Act requirement that small firms carry out an audit and food safety legislation.

Regulation is allowed to proliferate because departments aim for the highest standards without questioning the cost; because central government wrongly blames Europe or local authorities for the problem; and because in areas such as safety, regulation makes an appeal to our emotions.

The government needs to look at a stronger lay involvement in working groups drafting legislation so that acceptable basic standards are adopted instead of the best possible desirable standard. Business should be disciplined by the prospect of legal liability when things go wrong rather than forced to comply with a mass of regulation designed to prevent mishaps. Areas of action should include:

- Removing the statutory audit for small firms, which can cost up to 4 per cent of turnover and prevents companies using low-cost book-keepers. The EC directive harmonising company law does not require an independent audit but the UK insists on one.
- The Food Safety Act, introduced after food poisoning scares. It imposes tight controls on retailers, leading to expenditure of up to £300m on freezers and chill cabinets. There is evidence that problems often arise further down the food chain while much equipment does not meet subsequent environmental legislation to control refrigerants.
- Rail and tube safety. Recent accidents have prompted a huge programme of safety spending, pushing up fares. Yet rail remains one of the safest forms of transport. Accident inquiries often produce uncosted and overlapping proposals for reform.

Coal chief says doomed pits may be offered for sale

By Alison Smith

A NEW possibility of reprieve for some of the 31 threatened coal pits emerged yesterday, as Mr Neil Clarke, British Coal chairman, said that any pits which would still be closed under the government's revised scheme would be offered for sale.

His offer came as Mr John Major, prime minister, and senior ministers prepared to finalise the proposals for the draft white paper on energy in the light of last Friday's report by the cross-party trade and industry committee of MPs.

The white paper, due to be discussed by cabinet on Thursday, must take account of the committee's plans to increase the annual market for deep-mined British coal by 16m tonnes or more for five years at a cost of about £500m.

Mr Clarke told BBC TV's The Money Programme: "If they are going to be closed and people wish to operate them, as far as I am concerned they will be offered for sale."

Such a move would not take the pits off the political agenda completely, however, as private mining companies might seek redundancies or new working practices to cut costs.

Estimates of how many pits would be saved if the committee's recommendations were adopted go up as far as 25, though others have been more cautious in their assessment. Mr Keith Hampson, a Tory committee member, suggested the report's plans could save between 13 and 17 of the pits.

At Westminster, opinion appears to be hardening that in order to avoid risking defeat in the Commons, the government needs to increase its own proposals to expanding the market for coal by about 12m tonnes, to save around half the threatened pits.

With the details still in the balance, Tory MPs on all sides have intensified their lobbying of Mr Michael Heseltine, trade and industry secretary.

He has been holding meetings with individual MPs, but in the run-up to publication – expected around the middle of this month – he will be seeing various lobby groups.

THE WEEK AHEAD

ECONOMICS

Focus turns to German pay talks

THE focus turns to Germany this week where a run of important economic figures are expected and the third round of public sector wage talks begins.

The Bundesbank will only be prepared to ease monetary conditions if the outcome of the pay round is "moderate" and according to Ms Alison Cottrell, economist at Midland Global Markets, substantial progress has already been made in the west. However, negotiations are not going so smoothly in the east, where planned wage convergence is still posing a threat to economic and social stability.

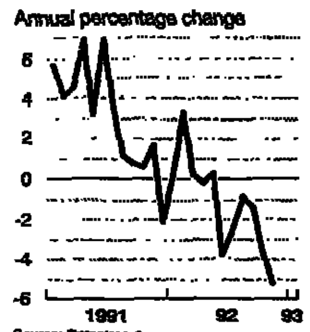
German industrial production figures are forecast to show another month-on-month fall which would translate into a quarter on quarter decline of around 3 per cent. "There appears to be no slowdown in the rate of decline for the first quarter given the ever weakening state of demand," says Mr Michael Lewis, economist at Morgan Grenfell, the investment house.

Further signs of recession are likely to be reflected in the unemployment figures. Unadjusted unemployment passed the two million mark in December, and a number of economists are expecting the seasonally adjusted total to go the same way in January.

In the US, attention will turn to the non-farm pay roll figures

German industrial production

Annual percentage change



Source: Datastream

on Friday for further evidence of robust economic growth. They rose by 64,000 in December and are forecast to have grown by 100,000 in January.

The following are some of the other economic highlights and events of the week. Figures in brackets are the consensus of economists' forecasts from MMS International, a financial information company.

Today: EC, membership talks open formally with Austria, Finland and Sweden; UK, January national association of purchasing managers index (49.6 per cent), governor of Bank of England and president of the Bundesbank speak at annual dinner of Overseas Bankers; Germany, east German metal sector pay talks in Saxony go to arbitration; US, January national association of purchasing managers index (56.5 per cent), December construction spending (up 0.3 per cent); Japan, January foreign exchange reserves, January wholesale prices index – 2nd 10 days.

Tomorrow: UK, January official reserves (down £0.5bn); US, Federal Open Markets Committee meeting lasting two days, December leading indicators (up 1.7 per cent), December new home sales (599,000), Johnson Redbook week ended January 30; Canada, January foreign exchange reserves, January help wanted index (68); Japan, December unemployment rate; Australia, December current account, seasonally adjusted (Aus$1.35bn surplus). New Zealand, third quarter GDP index.

Wednesday: UK, Treasury monthly money report; Germany, Kohl to meet Laender heads on solidarity pact in Bonn, third round in public sector wage talks lasting two days; US, December home completions.

Thursday: Germany, Bundesbank council meeting in Frankfurt; US, initial claims week ended January 23 (350,000), state benefit week ended January 16, December factory orders (up 5 per cent), December factory shipments, money supply data for week ended January 25.

Friday: Germany, January unemployment – west (up 30,000), December employment – west (down 13,000), January vacancies (down 11,000), January unemployment – east (up 30,000); January east short time work (unchanged); Switzerland, January Federal consumer prices index; US, January non-farm payrolls (up 100,000), January manufacturing payrolls (up 10,000), January hourly earnings (up 0.2 per cent), January average workweek, January unemployment rate (7.3 per cent); Canada, January employment (up 0.2 per cent on month), January unemployment rate (11.5 per cent).

During the week: Germany, December industrial production (down 0.5 per cent on month), December manufacturing output (down 0.6 per cent on month), December trade balance (DM2bn surplus), December current account (DM1bn deficit), December manufacturing orders (down 0.8 per cent on month); Belgium, January unemployment rate (12.3 per cent); Switzerland, January unemployment rate, January CPI; December, trade balance excluding ships (DKr2.7bn surplus); Netherlands, January CPI (flat on month, up 2.9 per cent on year); Finland, December unemployment rate (16.2 per cent); Japan, December current account, December trade balance, December foreign bond investment.

Emma Tucker

RESULTS DUE

FYFFES, the Irish-based fruit and vegetable distributor, is heading for a modest increase in pre-tax profits tomorrow, having weathered recession in Europe and ERM currency upheavals during its year to end October 1992. Profits of I£28.5m are expected against I£27.1m last year, with the dividend likely to rise to 0.8939p (0.8126p) after the interim was upped to 0.3549p (0.3226p). Earnings per share, diluted by issues in 1992, are likely to fall to 5.7p from 6.73p.

The group's expansion into continental Europe has come at a difficult time, given lower prices and the currency turmoil.

Its year-end coincided with sterling's 15 per cent decline in value against the Irish currency, something of a blow because 50 per cent of its turnover is from UK operations.

However, Fyffes will benefit longer-term from the new banana regime in the EC, which slapped a 2m tonne a year quota on Latin American banana exporters in December, with a 170 per cent tariff on exports above that level.

Bullough, the office products and refrigeration group, is expected to produce results today in line with its December profit warning of a slump from £20.8m to £8.5m pre-tax profits in the year to October 31. Earnings per share are likely to be between 4.5p and 4.6p (11.55p). The dividend is to be held at 6.05p. The group has had to absorb £3.3m in redundancy costs However, profits this year could rise to £12m, confirming the group's position as a potential recovery stock.

Northumbrian Fine Foods, the biscuit, confectionery and health food maker, has seen its profitability slide in spite recent expansion of its expansion in the past two years.

Interim results on Wednesday will show whether the group has reaped the benefits of improving market conditions. The USM-quoted company reported pre-tax profits of £155,000 (£264,000) on turnover of £15.9m (£7.89m) in the year to March 31 1992, but passed its final dividend after a 0.75p interim payout.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Aberdeen Crp Gas Anns 12.5p
Acal 2.1p
Allied Lon Props 5¾pc Pf 5p
American Tel. & Tel. $0.33
American Tst. 5pc Pf. £1.75
Ameritech $0.92
Attwoods 3.25p
Barclays Australia Intl. Fin. 13pc Gtd. Nts. 1994 A$130
Bell Atlantic $0.65
BellSouth $0.69
Bexbuild Devs. 1p
BOC 11.6p
Bristol Evening Post 4p
British Thornton 0.25p
CALA 4pc Pf. 1.4p
Campbell Soup $0.22
Consols 4pc £2
Cooper (Frederick) 0.5p
Dalgety 4.85pc Pf. 2.425p
Dunedin Inc. Growth Inv. Tst. 3.5pc Pf. £1.75
Do. 11½pc Deb. 2016 £5.75
Fleming Inc. & Cap. Inv. 1p
Fleming Merc. Inv. Tst. 1.675p
Do. 2.8pc Pf. 1.4p
Do. 3.5pc Pf. 1.75p
Do. 3½pc Deb 1960/95 £1.75
Govett Strategic Inv. 1.75p
Granada Cv. Pf. 3.75p
Jenners, Princes Street, Edinburgh 10pc Pf. 5p
Johnson Matthey 3.2p
Land Securities 9⅜pc Bds. 2004 £234.375
Law Debenture 3.85pc Pf. 1.925p
Lewis (John) 5pc 1st Pf. 1.75p
Do. 7pc Pf. 2.45p
Lincoln National $0.76
Manchester 3pc 1891 £1.50
Merchants Tst. 3.65pc Pf. 1.825p
Met. Water New River Co. 3pc Deb. £1.50
Monks Inv. Tst. 2p
Next 6pc Pf. 2.1p
Do. 7pc A Pf. 2.45p
Do. 10pc B Pf. 1.75p
North East Water 5¼pc Deb. 2012 £2.625
Do. 8½pc Deb '92/94 £4.25
Do. 10½pc Deb '92/94 £5.25
Do. 12pc Deb. 2004 £6
NYNEX $1.16
Orix Ireland Finance 8⅝pc Nts. 1994 $862.50
Pacific Telesis $0.545
Quebec Central Railway 4pc Deb. £2
Scottish Agricultural Secs. 14pc Deb. 1993 £7
Scottish Eastern Inv. Tst. 9¾pc Deb. 2020 £4.875
Do. 12⅜pc Deb. 2012 £6.1875
Scot. & Newcastle 7pc Pf 3.5p
Shell Transport 7pc Pf. 2.45p
Smurfit (Jefferson) Ir1.2306p
Southwestern Bell $0.73
Temple Bar Inv 7pc Pf 2.45p
Tinsley (Eliza) 1.8p
Torchmark $0.2667
Total Systems 1.5p
US West $0.53
Whitbread 4½pc Pf. 1.575p
Witan Inv. 2.7pc Pf. 1.35p
Do. 6¾pc Deb '90/95 £3.375
Young & Co's. Brewery 2.1p
Do. 9pc Pf. 4.5p

■ **TOMORROW**
BET 4p
Do. A.D.R. 2p
London & Provincial Shop Centres 10pc Deb. 2026 £5.706667
Marks & Spencer ADR $0.2675
Randfontein Ests. R0.35
Reliance Security 1.1p

■ **WEDNESDAY FEBRUARY 3**
Bogod 0.1p
Do. A 0.2p
Cohen (A) 3.4p
Do. A 3.4p
Cons Co Bultfontein Mine R0.045
De Beers Cons Mines 40pc Pf. R1
Do. 8pc 2nd Pf. R0.04
Deelkraal Gold R0.05
Driefontein R0.60
Forte 5⅜pc Nts. 1994 $268.75
Gold Fields Coal R0.50
Griqualand West Diamond Mining Dutoitspan R0.21
JLI 1.55p
Johnson & Firth Brown 2p
Kloof Gold Mining R0.45
Leeds Group 7.5p
Moorgate Inv. Tst. 1.7p
Quality Care Homes 0.75p
Sainsbury (J) ADR $0.054
Treasury 8½pc 1994 £4.25
Tunstall 3.75p

■ **THURSDAY FEBRUARY 4**
Barcom 1.25p
Foreign & Col Smaller Co's 0.68p
Plysu 2p
Sheriff 1p

■ **FRIDAY FEBRUARY 5**
Boots 4.6p
EFM Income Tst. 1.2p
Eldridge, Pope A 1.94p
Electric & General Inv 1.5p
Equity Consort Inv. 11.0625p
Do. Dfd. 13.125p
Greene King 3.7p
London Merchant Secs 0.8p
Lowndes Lambert 4.5p
Meyer Intl. 4.2p
New Zealand Inv. Tst. 0.6p
Pegasus 3.5p
River & Merc. Amer. Cap. & Inc. Tst. 1.8p
Salvesen (Christian) 3.2p
Thames Water 6.9p
Tiger Oats 5½pc Pf. R0.055

■ **SATURDAY FEBRUARY 6**
Treasury 8¾pc 2012 £4.9057
Whitbread 7¾pc Deb '89/94 £3.875

■ **SUNDAY FEBRUARY 7**
British Petroleum 2.1p
Pearson Sterling Fin. 10¾pc Bds. 2002 £537.50

PARLIAMENTARY DIARY

■ **TODAY**
Commons: Questions to Welsh Office ministers, Church Commissioners and Lord Chancellor's Department. European Communities (Amendment) Bill, committee.
Lords: District Electoral Areas (Northern Ireland) Order. Motor Vehicles (Wearing of Seat Belts) Regulations. Debates on report on caring systems and Rosyth dockyard.
Select committees: Public accounts, subject: army training lands. Witness: Sir Christopher France, permanent under-secretary of state, Ministry of Defence (4.30pm, room 16).

■ **TOMORROW**
Commons: Education questions. Questions to the prime minister. Railways Bill, second reading. Customs and Excise orders. VAT orders.
Lords: Agriculture Bill, third reading. Welsh Language Bill, committee.
Select committee. national heritage, subject: privacy and media intrusion. Witnesses: Sir David Calcutt, QC; Mr Adam Raphael, associate editor, The Observer (10.30am, room 15).

■ **WEDNESDAY**
Commons: Scottish questions. English Revenue Support Grant Reports motions. Criminal Justice Act (Contracted Out Prisons) Order.
Lords: Debates on council funding of charities and voluntary organisations, legal aid and tourist boards.
Select committees: Parliamentary commissioner for administration, subject: reports of the health service commissioners for 1991-92. Witnesses: East Berkshire health authority, North Middlesex hospitals, NHS trust (10am, room 19).
Defence, subject: UK peacekeeping and intervention forces: land forces. Witnesses: ministry of defence officials (10.50am room 16).
Foreign affairs, subject: role of the UN. Witness: Baroness Chalker, minister of overseas development (10.30am, room 8).
Trade and industry, subject: trade with Europe. Witnesses: British importers; CBI; major British exporters 10.30am, room 15).
Education, subject: common funding formula for grant-maintained schools. Witness: Baroness Blatch, minister of state for education (4.30pm, room 18).
Employment, subject: management of large-scale redundancies. export of jobs. Witnesses: Lord Younger of Prestwick, chairman Royal Bank of Scotland, TUC (4.15pm, room 20).
Health, subject: dental services. witness: Sir Kenneth Bloomfield (4.15pm, room 8).
Public accounts, subject: legal aid in England and Wales. Witness: Sir Thomas Legg, permanent secretary, Lord Chancellor's department (4.15pm, room 15).
Treasury and civil service, subject: EC monetary and budgetary matters. Witness: Mr Anthony Nelson, economic secretary to the Treasury (4.30pm, room 21).
Home affairs, subject: juvenile offenders. Witnesses: Home Office and Department of Health officials (4.45pm, room 16).

■ **THURSDAY**
Commons: Treasury questions. Questions to the Prime Minister. European Communities (Amendment) Bill, committee.
Lords: Welsh Language Bill, committee. Veterinary Surgeons Qualifications (EC Recognition) (Amendment) Order.

■ **FRIDAY**
Commons: Backbench business – Caravan Sites (Amendment) Bill.
Lords: Not sitting.

UK COMPANIES

■ **TODAY**
BOARD MEETINGS:
Finals:
Bullough
Caldwell Invs.
Interims:
Barnato Exploration
CRT
European Assets
Ewart
Haynes Publishing
Welsh Ind. Inv. Tst.

■ **TOMORROW**
COMPANY MEETINGS:
Johnson & Firth Brown, Ramada Renaissance Hotel, Blackfriars Street, Manchester, 11.45
Leeds Group, Forte Crest Hotel, Bramhope, Leeds, 12.00
Scottish Inv. Trust, 6, Albyn Place, Edinburgh, 11.00
Sidlaw Group, Stakis Earl Grey Hotel, Dundee, 12.00
BOARD MEETINGS:
Finals:
Fyffes
Miskin
Interims:
Adscene
Free State Dev.
Genbel Invs.
Helton
YRM

■ **WEDNESDAY FEBRUARY 3**
COMPANY MEETING:
Shaftesbury, 11, Waterloo Place, S.W., 12.00
BOARD MEETINGS:
Finals:
Castle Cairn Inv. Tst.
Electrolux
Seacon
Interims:
Johannesburg Cons. Inv.
Lebowa Platinum Mines
Northumbrian Fine Foods
Potgietersrust Platinum
Rustenburg Platinum

■ **THURSDAY FEBRUARY 4**
COMPANY MEETINGS:
Granada Group, Merchant Taylors Hall, Threadneedle Street, E.C., 11.00
Sturge, Great Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, E.C., 11.30
BOARD MEETINGS:
Final:
Heavitree Brewery
Interims:
Bristol Channel Ship
Cook (D.C.)
TR City of London Tst.
Trans-Natal Coal

■ **FRIDAY FEBRUARY 5**
COMPANY MEETINGS:
Eldridge Pope, Dorchester Brewery, Weymouth Avenue, Dorchester, Dorset, 12.00
HunterPrint, 15, Saxon Way East, Oakley Hay Industrial Park, Corby, Northants, 2.00
Vaux, Swallow Hotel, Sunderland, 12.00
BOARD MEETINGS:
Final:
Continental Assets Tst.
Interims:
Birse
English & Caledonian Inv.
Mhangura Copper

Company meetings are AGMs unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve preliminary results.

Rethinking Europe

Christopher Lorenz reports on how ICI rushed to open shop for the single market but beat a quick retreat

Second thoughts about moving in

IT MUST rank as one of the most rapid corporate rethinks ever. Amid a fanfare of proclamations by its senior managers about the need to "reshape for the single market challenge", the world's fourth largest chemicals multinational creates a new regional organisation, based in Brussels. Then, barely 16 months later, it decides quietly – although amid internal controversy – to shut it down.

On the face of it, this volte-face by ICI, Britain's largest manufacturer in any industry, looks like an embarrassment of the first order.

But behind the scenes the U-turn over *ICI Europe*, as the 60-person unit in leafy countryside near Brussels airport was called, reflects the company's new-found willingness to adjust to changing circumstances far more rapidly than in the past.

By reversing its decision, ICI has done two things. First, it has recognised that it had overrated the potential demand from multinational customers – ranging from BMW to several household appliance makers – for cross-border European sales co-ordination across its various businesses. Instead, it now feels that any pan-European sales "synergies" can be handled within individual businesses.

Second, the turnaround represents the final triumph within ICI of a movement which, as in many multinationals today, was already on the rise inside the chemical company before the Brussels decision was taken: the need to speed decision-making and cut costs by streamlining the complex "matrix" structures through which they had managed since the 1960s.

Under these, control had been shared for decades between international or global product divisions (what ICI calls "businesses"), and geographic units. The latter were either regional, as in the case of ICI Europe, or national, as with the 15 ICI country organisations whose responsibilities it was supposed largely to subsume.

In September 1990, when ICI celebrated the opening of ICI Europe, a clear shift of influence towards the global businesses, away from its existing regional organisations and national companies, had already been under way since the 1970s.

So, although the reasons for the creation of ICI Europe seemed powerful to those directly involved and to the outside world, it was seen elsewhere in ICI "as being out of kilter with its time", says Bill Madden, chief executive of the group's global materials business and now ICI's top person in Brussels.

Bill Madden (left), ICI's top person in Brussels, and Trevor Gazard, the man who finally switched the lights out

The story is taken up by Trevor Gazard, who as planning manager of ICI Europe says he was "the man who finally turned the lights out on it" last June. In line with the "primacy" of the global businesses within ICI's power structure, he has since taken on a similar role within ICI Materials, under Madden.

With hindsight, Gazard says ICI Europe "was really a project, not a permanent organisation". This is because its most trumpeted purpose, the creation of "corporate coherence" towards customers in continental Europe, proved "a bit ahead of its time", says Gazard. He says car companies, for instance, still prefer not to purchase through a single point, even if four ICI businesses supply them separately with paint, polyurethane for bumpers, advanced materials for engines, and fibres for seats.

ICI is by no means the only large multinational which, in its Euro-enthusiasm, misread its customers' purchasing intentions in this way. But that is no excuse for its readiness to swallow the now mainly discredited "supermarket" theory of business-to-business purchasing.

The result was that ICI Europe's main tasks from the start actually turned out to be transitional:

● To establish an orderly transfer of sales activities and staff from the 15 national companies to ICI's global businesses, splitting sales staff into European sub-regions such as Benelux, Nordic and what ICI calls "mid-Europe" (Germany, Austria and Switzerland).

● To support the businesses across Europe by creating half a dozen sub-regional centres for shared "support services", such as information technology, finance, health and safety, public affairs and personnel.

● To streamline the old way of maintaining a "corporate presence" in each country.

● By the time the chairman of ICI Europe came back to London in the summer of 1991 to report on progress, several things had happened:

* Most of the first two tasks were well in hand or complete.

* The business climate had changed for the worse, and ICI's profits had slumped. The Hanson group had taken a threatening stake in the company, and a desperate hunt was under way within ICI to simplify structures and cut costs.

* From the beginning of 1991 the group's 14 businesses had been agglomerated into eight larger units, all with revenues of more than £1bn. "If regional co-ordination in Europe was needed, it could be done at that level," says Trevor Harrison, ICI's head of planning.

* The role of ICI Europe "was causing some distress to the businesses", continues Harrison. For one thing, they claimed its upkeep was affecting their European selling costs. They also "felt that they didn't have enough control over their entire business process, from the customer right back to the factory," explains Harrison: "Brussels was getting in the middle."

The response from ICI's top management was to set up a study group. It decided that ICI Europe had, in effect, fulfilled much of its remit. It should be shut down, and its remaining activities split up.

The provision of shared services would be transferred to the strongest business in each country or sub-region. At the same time a senior manager in each business within a country or sub-region would be selected to act as a part-time "Mr ICI" there. The first to take on such a representative role, for the whole Nordic area, was the head of ICI Pharmaceuticals.

Both these moves follow the growing tendency within other multinationals of streamlining their bureaucracies by dispersing such geographic "head office" responsibilities among senior divisional managers on a part-time basis.

But the conformity of the decision with international practice did not make it unanimous. One ICI line manager says there were complaints that "it was handed down from HQ without adequate discussion". The substance of the decision was opposed by the main ICI board member responsible for Europe, by the chairman of ICI Europe, and by one of the business heads.

One worry was that ICI might lose continental perspective; another, that it would lose the ability to develop international managers capable of moving across businesses. Like other cross-frontier tasks within ICI today, this has become informally "networked".

The costs saved by shutting ICI Europe are hard to estimate, since about 20 of its 60 staff have been transferred, either to the UK head office or to the businesses.

More significant, Gazard says, is that its efforts cut the cost of ICI's continental support services by a fifth between 1990 and 1992. There is still at least as much again to be saved, he estimates, through streamlining within the businesses.

Paradoxically, ICI's costs in mainland Europe may soon be increased slightly by a much more striking rethink than the closure of ICI Europe: the demerger of the entire group into two companies, the Zeneca bio-pharmaceutical side and the remaining five ICI businesses.

Both companies will maintain the new principles of dispersing shared support services and national representation. But each company will need its own string of support centres and national ambassadors, so overheads will rise somewhat.

That should be a small price to pay if it helps achieve the demerger's promised benefits. But this further rethink does underline the speed with which ICI's European structure is continuing to change. It is unlikely to be the last upheaval.

This is the fifth article in the series. Previous ones appeared on Jan 4, 11, 18 and 25.

Executives forced to buy slice of pie

By Martin Dickson

It is an acknowledged truth that managers with large parts of their personal wealth tied up in a business will tend to be more concerned about its performance than those without.

This simple fact lies behind a new trend in US executive pay policy which could eventually spread to Europe: some companies have begun to insist that their senior managers acquire a specific and sizeable amount of the business's shares.

Last week Union Carbide announced that its senior managers would be required to own shares in the chemicals company in proportion to their salaries. Kodak, the photographic equipment manufacturer, did likewise last month. Xerox, the copier company, introduced a similar scheme a year ago.

Other companies have started actively "encouraging" managers to hold specific amounts of stock. For example CSX, the transport group, organised a successful scheme last year which offered over 160 of its executives loans to buy shares at market prices.

So far the movement is limited to a handful of companies, but many experts believe this is just the beginning. Howard Sherman of Washington-based Institutional Shareholder Services (ISS), which advises large investors on corporate governance, says it is the start of a "major trend over the next few years".

Schemes to align managers' financial interests with those of shareholders are hardly new. Many companies have always encouraged executives to buy an unspecified number of shares in the business.

And the past 10-15 years has seen a boom in two particular kinds of carrot supposed to enhance executive performance. These are annual bonuses pegged to a company's financial performance; and share option schemes which allow executives to buy stock at today's price at some point in the future.

However, there is growing evidence in the US that share option schemes are not binding managers to the long-term interests of the company as strongly as they might. Far from holding on to the shares received when they exercise options, managers tend to cash in quickly.

Brian Dunn, who specialises in executive compensation at New York consultants Towers Perrin, suggests that managers tend to hold over the long-term less than 25 per cent of the shares they acquire under option schemes.

And it is mainly to counter this "take the options money and run" attitude that companies are now starting to demand specific levels of shareholding.

This is partly enlightened self-interest, partly a response to shareholder pressures. ISS, for example, has recommended for the past two years that stock option plans be written in ways which limit managers' ability to sell their shares.

Companies implementing schemes range from those that tend to be at the cutting edge of management issues, such as Xerox, to those facing pressure from shareholders for a big improvement in performance, such as Kodak.

Kodak's scheme requires each of the company's top 40 executives to invest certain multiples of their pay in the company over the next five years. Kay Whitmore, the chairman, will have to acquire stock amounting to four times his base annual salary (which in 1991 was nearly $1m), while the more junior end of the range will have to invest the equivalent of one annual salary.

"Five years from now, no senior manager of this company will own less than the equivalent of one-year's base pay," says Whitmore. "The result: all our senior managers will act and behave like owners of this company, because they will be substantial owners."

Union Carbide's scheme sets similar targets and the same time-frame. Xerox required its top 50 managers to hold only one year's base salary, but to reach this level over a mere 18 months.

The idea is one whose time has come, but some top US executives have qualms. Mr Dunn says a number of clients have told him they feel their company has "no right to intrude into people's personal financial circumstances".

CONSTRUCTION

Caribbean workload

KIER INTERNATIONAL's Caribbean construction company has been awarded two contracts with a combined total exceeding £12m.

The first, valued at £11.5m is to construct a corporate headquarters in Kingston, Jamaica for Mutual Life Assurance.

Built on reinforced concrete foundations, the seven-storey building will comprise a structural frame of in situ reinforced concrete columns and precast beams.

The second contract, valued at £800,000, comprises piling, earthworks and construction of foundations for a 35MW gas turbine plant together with administration buildings and storage tanks at Hunts Bay in Jamaica.

Retail plan

BOVIS CONSTRUCTION has started the preliminary works of a new Safeway store in the centre of Reigate. The store will have a total floor area of 58,000 sq ft comprising 25,000 sq ft of retail space and the remainder providing office, staff, delivery, storage and preparation facilities.

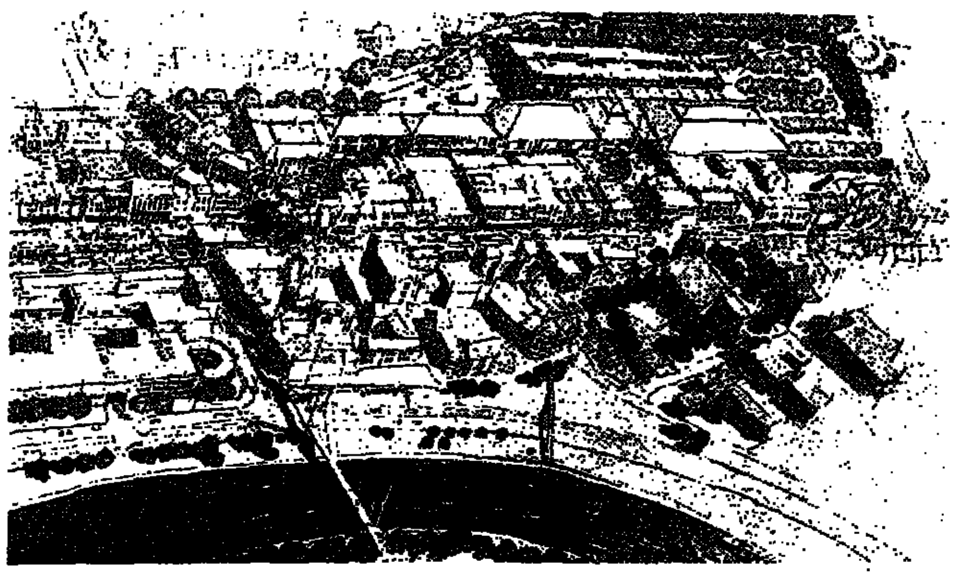
The £8.5m management contract includes the restoration of old stables and period buildings which will be brought into commercial use to create a courtyard.

Fish diseases

TAYLOR WOODROW CONSTRUCTION SOUTHERN has won a £7.4m contract to build a new fish disease laboratory in Weymouth for the Ministry of Agriculture, Fisheries and Food.

The new laboratory, one of three outstations of MAFF's directorate of fisheries research centre, will be the most advanced of its type in the world. Completion is scheduled for early next year.

Stockton-on-Tees scheme



HIGGS & HILL DEVELOPMENTS has been appointed by Stockton-on-Tees City Challenge Board to undertake a £30m town centre development *(pictured above)*.

The project will be undertaken as a partnership between Stockton-on-Tees Borough Council, Stockton's City Challenge and Higgs & Hill. Higgs & Hill Developments will be responsible for submitting detailed planning proposals and arranging funding. Construction will be undertaken by Higgs & Hill Northern.

The development will transform the town centre, creating shopping malls, a bus station and parking for over 1,000 cars. It will be carried out in two phases with a target completion date of spring 1997. Phase 1 will provide a multi-storey car park, bus station, a 35,000 sq ft food store, shops, a pedestrianised mall and a town square.

The second phase will create a second pedestrianised mall with glazed canopies, retail stores and 20 shop units. A total of 100,000 sq ft of retail space will be developed.

Substantial preparatory work, including diverting the town's inner relief road to eliminate busy road crossings for shoppers will be carried out with City Challenge funds.

Negotiations on property acquisition will begin immediately and some buildings have already been jointly bought.

£24.5m housing projects for Lovell

The partnerships division of the **LOVELL GROUP** has won a series of contracts across England and Wales in partnership with local authorities and housing associations worth £24.5m.

The projects will provide 768 units of affordable social housing for rent, shared ownership and sale to local authority and housing association tenants and those on waiting lists.

The largest group of work for a single client is in south Wales for SHAW Home Care Housing Association where the partnership in six schemes worth £5.88m will produce a combination of 225 family houses, flats and bedsitting rooms for elderly people at Caerphilly, Pontypool, Newport, Brackla, Port Talbot and Bridgend.

In the west and south west 42 new and refurbished flats are being constructed at Plymouth with Cornwall Housing Association at a cost of £2.59m; in Wiltshire, 10 dwellings at Castle Coombe for English Villages Housing Association (£396,000) and 25 homes at Amesbury for Shaftesbury Society Housing Association (£941,000); and at Kemble 18 units valued at £700,000 will be built in collaboration with Gloucestershire Housing Association.

In the Midlands, Lovell Partnerships is also working on a £1.12m project with the Gloucestershire Housing Association at Cheltenham to provide 39 units; at Uttoxeter 51 units will be built in a four-way partnership and 16 bungalows will be constructed at Burton-upon-Trent.

£9m extension of Immingham facilities

AMEC MARINE, the specialist division of AMEC Civil Engineering, has been awarded the £9m contract to design and construct an additional berth at Immingham oil terminal as part of the extension works to be carried out by Associated British Ports. The extension, which will create the third berth at the existing facilities, is part of an £18m investment by Associated British Ports and Conoco.

It will extend about 1,000 metres out into the river Humber in water depths of up to 28 metres and cater for tankers of up to 80,000 dwt.

AMEC Marine's contract encompasses design and construction of a new branch jetty head, access jetty and berthings and mooring dolphins.

PEOPLE

HSBC's Smith moves to take on Midland's international interests

The integration of Midland Bank's international business with those of HSBC Holdings after last year's takeover has taken a further step forward with the appointment of Michael Smith, an experienced HSBC manager, as managing director of Midland's international interests.

Although Midland's businesses in the Far East and America will be integrated with local HSBC operations, Midland's new owner wants European businesses to remain under the British bank. Midland owns banks worth £11bn in asset size in countries including Germany and France.

"Midland still has quite a strong name in Europe. It has not suffered as badly as from publicity in Britain over the past few years," says Smith, who was moved to Midland as planning director before the takeover. Midland and HSBC were exchanging managers as part of their overtures.

In his role as planning director, he was responsible for planning the reshaping of Midland's branch network. Smith, who has been with HSBC since 1978, says there is "an awful lot of development to do" on Midland's European network. He wants to introduce the "discipline and common direction" of HSBC.

Before coming to Midland, Smith followed the career path of high flyers in HSBC, helping to manage businesses in Hong Kong, Australia, Oman and Japan among others. The switch to Midland's European operation will mark a change from retail operations to largely corporate and investment banking.

■ **Hugh O'Brien**, formerly group planning director of Midland, has been appointed head of group financial planning and capital financing for HSBC Holdings.

■ **Stephen Davidson**, formerly an md at Bankers Trust, has been appointed executive vice-president and chief financial officer of TELEWEST COMMUNICATIONS, a cable operator in the UK and a joint venture between US West Inc and Telecommunications Inc.

■ **Douglas Fraser**, former industrial director at the National Economic Development Office, has been appointed md of NMC.

■ **Giovanni Pozzi** has been appointed md of Ferodo Italiana, part of T&N, on the retirement of Valerio Lorenzati.

■ **Leslie Higgins**, formerly md of Grand Metropolitan Cardholders, has been appointed md of The Air Travel Group, part of GRANADA Leisure Development.

■ **William Bogle**, formerly regional business head of Hoechst Pharmaceuticals in the UK, has been appointed to the main board of MEDEVA as regional director, Europe.

Bodies politic

■ **Frank Lindsay** has been appointed chief agricultural inspector at The HEALTH AND SAFETY EXECUTIVE on the retirement of Carl Boswell.

■ **Simon Tripp**, former marketing representative in the American MidWest for the Welsh Development Agency, has been appointed director of the American office of the WEST MIDLANDS DEVELOPMENT AGENCY.

■ **Trevor Harrison**, ICI's general manager planning, has been elected chairman of the council of The ASSOCIATION OF CORPORATE TREASURERS. **Peter MacFarlane**, finance director of Allied-Lyons, **David Nash**, group finance director of Grand Met, and **Peter Wood**, finance director of Barclays Bank, have been elected to the council.

■ **Emyr Jenkins**, director of the Royal National Eisteddfod, has been appointed director of the WELSH ARTS COUNCIL.

■ **Robert Fitzherbert** (below) has been appointed director of the Building Advisory Service, part of the BUILDING EMPLOYERS CONFEDERATION.

Departures

■ **Ron Mellor**, secretary of the INSTITUTION OF MECHANICAL ENGINEERS, has retired.

■ **Peter McBride** has resigned as md of BULLERS.

■ **Ron Day**, chairman of JAMONT UK, has retired.

■ **Bill Nuttall** has resigned from BPP HOLDINGS.

■ **John Giffen** has retired as chairman of ALLIED-LYONS regional council for the Americas and deputy chairman of the Hiram Walker Group, but remains chairman of Corby Distilleries in Montreal.

■ **Hans Duemke** has resigned from WILLIAM JACKS.

■ **Adrian Goulding Bird** has resigned as a director of PEX GROUP.

■ **Peter Richards**, ARGOS group commercial director, is to take early retirement on the grounds of ill health from April.

More shrinking at John Foster

The board at specialist textile group John Foster & Son has shrunk further with the departure of David Allen, 43, previously managing director, and sales and marketing director Keith Halliday. Halliday, however, remains as a consultant.

Peter Giles, a company doctor who was brought in to mastermind a restructuring towards the end of last year, says that Halliday, who has been with the company for 20 years, will continue to advise on Japan; that market accounts, indirectly, for up to 60 per cent of sales, particularly mohair-spun cloth for men's suits. Allen had been running John Foster before Giles' arrival. "There clearly was not a role for both of us," the new boss explains.

At the end of last year, Graham Creswick, the former finance director, resigned, having served in a non-executive capacity for three months while Giles was appointed. The company now has no finance director but Carol Watkinson, who was made company secretary last September on the resignation of Nicholas Butler, is also chief financial officer.

The company lost £1.8m in the half year to the end of August 1992, and losses will continue into the second half, it predicts. Giles is putting in place a programme of staff reductions, and pulling out of certain lines of business to concentrate primarily on mohair.

Inking in the details at Manders

The board of Manders (Holdings), the Wolverhampton-based paints, inks and property company, has been altered in the wake of its escape in August from the acquisitive clutches of rival paints company, Kalon.

John Farmer stays as finance director, but takes on responsibility for shareholder relations and corporate development. He is shedding his duties as managing director, property investments and company secretary.

Robert Purshouse cedes his role as managing director, decorative division, to Graham Lloyd, who moves across from managing director, coatings and inks division. Purshouse takes on the new role as managing director, property and corporate services and will also serve as company secretary.

Jim Mahony joins the board as managing director, coatings and inks division, having previously held the post of managing director, oil inks and, more recently, managing director, liquid inks. He has spent some 25 years in the coatings and inks industry in both the UK and Europe.

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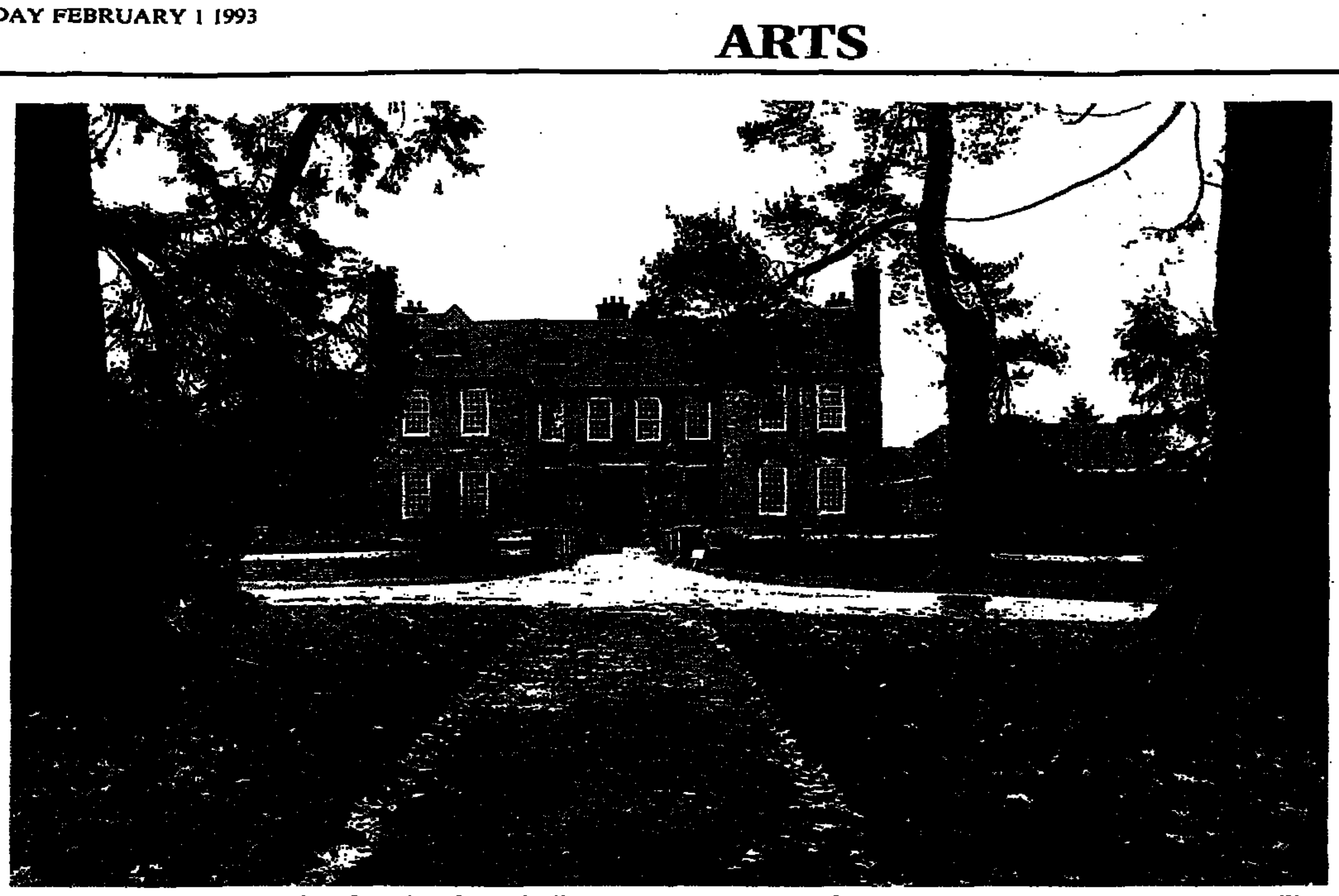


Groombridge Place, a seventeenth century house in Kent: another sort of Draughtsman's Contract is threatening its tranquility

Architecture/Colin Amery

Small, beautiful and endangered

It should never be forgotten that "Small is beautiful". In the world of architectural conservation there are, at the moment, a large number of small but important buildings that are in considerable danger. As Lloyd's losses continue to mount, what is to be the future of the smaller manor houses, the more modest stately homes that many estate agents assure me are due to come on the market in the next year? The natural instinct of owners of good houses is to hang on until the last possible moment – even with the bailiffs at the door, selling up is the last resort.

A great part of England's beauty comes from small scale things, and it is these that are the most fragile. The larger houses and the obvious masterpieces, while not easy to save, do attract attention; and merit usually brings protection. The sad dispersal of the contents of Pitchford Hall, in Shropshire, and the failure of the Department of National Heritage to act with other national bodies to save the house, ought to provide a lesson for the future. But what about the glorious Heveningham Hall (not small but a masterpiece) in Suffolk, which is still empty and on the market? The situation at Heveningham is entirely the responsibility of Michael Heseltine, now trade and industry secretary, who sold the house to a private owner in 1981 after it had been bought by the nation for just over £300,000 in 1970. Today the receivers are hoping for some £4m; meanwhile the house is empty, the park neglected and there seems to be little interest in its future.

There seems to be a lack of will to tackle heritage problems in any logical way. In fact the leaky-umbrella government organisations such as English Heritage seem to make a point of *not* having a policy, and frequently react to situations only at the last minute. If there are serious problems when it comes to the protection of national monuments like Heveningham Hall, what can be the future for those subtle, small and delicate places that are the real fabric of England?

Take Groombridge Place and Groombridge village in Kent – a house and settlement that still embody many of the best qualities of relatively modest architecture and landscape. Groombridge Place is a wonderfully unaltered mid-17th century house that leapt to unexpected fame as the setting for Peter Greenaway's film *The Draughtsman's Contract*. House and village were, until recently, one unified place. This feudal continuity was rudely interrupted and broken in 1991 when the house, farms and cottages were put on the market: because of the recession they took a long time to sell and were eventually divided between several owners. A local builder acquired 54 acres and some barns – presumably not to let the fields lie fallow. One property company owns a slice of the village, the pub and the green. Yet another owns Groombridge Place itself and the park and other lands.

It is the planning application from Andrew de Candole and his company Blenheim Asset Management that has caused more than a flutter in the local dovecotes. The company has applied for permission to build an access road and car park for some 200 cars, and a coach park, on an important part of the Grade II* listed grounds. Permission is also being sought to convert some listed barns into a visitor's centre with shop and restaurant. The owners plan to open the restored gardens and the visitor's centre to the public on a regular basis, encouraging picnics and walks in areas that have enjoyed peace and privacy until now.

English Heritage has objected to the siting of the car park beside the river in the important gap between the old and newer parts of the village. As its letter to the planners at Tunbridge Wells says: "we would therefore oppose this site for the car park and, given the sensitivity of the whole of this site, are hard-pushed to suggest another one." The site proposed also appears worrying on the grounds of road safety.

It is not just the details of the Groombridge applications that are disturbing. It is the fact that this sort of proposal could undermine the rare qualities of the place. Private ownership of this sort of house and estate used to bring with it a sense of public responsibility. In the past this responsibility included leaving things alone and undisturbed. Small, beautiful places should not be commercially exploited to this extent. The outcome of the Groombridge application is uncertain at the moment and it could well go to appeal and out of the hands of the local authorities.

It is a sad, unnecessary situation and will provoke a lot of opposition because it is in a part of the country where articulate neighbours will go a long way to see that their locality is preserved. The equally sad thing is that there are dozens of other houses and gardens that are empty and for sale throughout the country. The future for the small, beautiful place is looking daily more uncertain. Are vigilance and patience enough to secure their future without any official intervention?

Sponsorship/Antony Thorncroft

Give more, get more

The Business Sponsorship Incentive Scheme, designed to encourage new sponsors for the arts through government-financed matching grants, is to be revamped. From April 1 an arts organisation will be able to receive up to £50,000 a year (as against the current £25,000) in BSIS top-ups, and the maximum amount of matching cash for each individual first-time sponsorship has been raised from £25,000 to £35,000.

The government is funding the BSIS in 1993-94 with £4.5m (no increase on the current year), and the scheme continues to be administered by the Association for Business Sponsorship. In nine years it has generated £59m in "new money" for the arts. The change will help organisations such as the Royal Academy, which is very dependent on sponsors and finds them easier to attract if their contribution can unlock extra money from the government. In future an arts organisation will be able to receive four BSIS awards a year rather than two. This makes things easier for small sponsors which were sometimes turned away by larger arts organisations concerned to secure two big BSIS awards.

Applications for BSIS money provide a good indicator of enthusiasm among companies towards sponsorship of the arts. There has been an increase in BSIS awards in 1992-93 – but for smaller sums, confirming that it is small and medium-sized companies that are making good the shortfall in sponsorship caused by the withdrawal of some big corporations. Even so, there is still money left in this year's kitty, which should encourage a flow of last minute applications.

Raising the size of the individual grants, while keeping the overall budget frozen, suggests that the government, and ABSA, does not expect a great rise in new arts sponsorships in 1993-94.

★

BT is consolidating its position as the leading corporate sponsor of the arts in the UK. This year it will spend £1.7m of its charity and community budget on the arts, and last month it announced two new initiatives.

Over the next three years it will invest £200,000 in "Making More of Music", a partnership with the National Federation of Music Societies which will inject professional help, through workshops, training, and public performances, into the activities of the 1,300 amateur music societies that are members of the NFMS.

BT already helps amateur dramatic societies through the BT Biennial, which creates a new play by a leading writer for performance in the amateur theatre. This grass roots work is in line with the new thinking. Even the Arts Council is starting to encourage popular participation in the arts.

The other initiative is the BT curriculum hotline, a £20,000 venture with the English Shakespeare Company. With Shakespeare now written into the national curriculum some schools need help in understanding the Bard. A call to the hotline brings advice, and, in 250 cases, the arrival at the school of actors to devise a workshop. Obviously BT regards its arts sponsorship as enabling money as opposed to the concept of a company "buying" an arts organisation or event for PR or hospitality purposes.

BMW is another sponsor that is not cutting back. It has doubled its commitment for 1993, putting a six figure sum behind the Rouault exhibition which opens next month at the Royal Academy. It likes the fact that the pictures are displayed in the smartly modern Sackler Gallery.

The late arrival of BMW has cheered up the RA, which a few months ago was short of sponsors for many of its 1993 shows. Harpers & Queens is also coming in, contributing a barrage of coverage of the Rouault exhibition.

Like many sponsors these days BMW is linking its support to a brand – the BMW 8 Series – rather than to the corporate name. This has one notable financial advantage: the brand can be designated a first-time sponsor and qualify for a full £25,000 top-up under the BSIS.

Unfortunately the RA had already been helped with £15,000 this year from other sponsors through the BSIS, which meant that it could only receive another £10,000 before it reached its limit. Cleverly the RA has been able to receive the full £25,000 of BMW-linked money by directing the cash towards the RA Schools, which is designated as a separate arts organisation. Wise sponsors know how to work the scheme.

★

For years arts organisations had been trying to interest Hanson, one of the UK's most profitable companies, in sponsorship, invariably with no success. So it was a shock when the National Youth Theatre announced that it was to receive £1m from the company, albeit spread over five years. There was no surprise how the NYT got the money: through the personal contact between its president, Bryan Forbes, and James Hanson. That is still the way that most arts sponsorships are sealed.

What was surprising was that Hanson said its money must go towards operating costs rather than into productions. There was a veiled threat that the money was dependent on the NYT getting matching sponsorship support to underwrite its productions.

It has made a good start. British Gas has promised £75,000 over three years to finance auditions and workshops, and impresario Cameron Mackintosh has given £25,000 towards a musical production. Price Waterhouse is sponsoring the London production at the Greenwich Theatre with £15,000, and smaller sums have come from Coca-Cola, the Woolwich and Reed International. However, the main event of the NYT's summer season, a rare performance of the Bernstein Mass, still needs more financial help before it can be confirmed.

★

Foster's Lager is another first-time arts sponsor qualifying for £25,000 from the BSIS. Its initiation happened last night at an Australia Day Gala concert with José Carreras at the Royal Opera House. The evening cost it £100,000 but Foster's lager flowed for the first time at Covent Garden.

★

Manchester Airport is proving a stalwart backer of the arts. It is putting £300,000 behind "Manchester, City of Drama". This Arts Council backed event does not happen until 1994 but the airport is announcing its commitment early *pour encourager les autres*.

Concerts in London

Mozart & Walton

For its regular London visits the Chamber Orchestra of Europe is careful to ring the changes with conductors. Inevitably the founder of the orchestra, Claudio Abbado, appears less regularly nowadays, and the range of guests continues to widen. But the COE's concerts with Nikolaus Harnoncourt have retained a special cachet, an unfailing sense of anticipation.

Harnoncourt manages to bring to every performance an element of invention and discovery. His approach may be founded upon the most impeccable of stylistic considerations, but working with an orchestra of such refinement and intelligence he sets aside period-instrument point-making and concentrates upon making invigorating music. On Friday he conducted the COE in Mozart, coupling the Haffner Serenade K.250 with the D Major Haffner Symphony K.385. All were joyously inventive, full of rhythmic life and airy, sparkling textures.

The symphony carries its own charge, but it was an enormous achievement of both conductor and the orchestra to give the Serenade a similar vitality. Prefaced by the March K.249, as at the premiere in 1776, the performance lasted an hour but Harnoncourt found fascinating detail and allusion in every movement, setting its public display of extrovert good humour against the flashes of darker, deeper feelings. In the three-movement violin concerto that lies at the heart of the serenade the soloist was the leader of the COE, Marieke Blankestijn. In keeping with the corporate solidarity of the orchestra her playing was not at all spotlit or assertive but carefully dovetailed into its surroundings, which is not to deny the musicality or the technical assurance with which she invested every line.

★

A violin concerto of very different temper was the centrepiece of the Royal Philharmonic Orchestra's Walton programme on Saturday, conducted by Vladimir Ashkenazy. It was Joshua Bell's first attempt at the work, and an enviably convincing one. Bell brought to the solo part a wonderful easy lyricism without the self-regarding brilliance of, say, the famous Heifetz recording or the sweet-toothed sentimentality that has characterised more indulgent performances.

Bell's tone is relatively lean, never overblown, and beautifully inflected. He made the opening movement intimate without becoming maudlin, and dispatched the virtuosity of the remainder with relaxed ease. There is a naturalness about his playing that belies his scrupulous preparation and sets him apart from most of his contemporaries; by any standard this was a remarkably convincing performance.

Ashkenazy was always at pains to buoy up the violin line with careful instrumental support, but there was no further evidence that he conducts Walton with instinctive flair and understanding. Both the *Scapino* overture and the First Symphony had great technical brilliance; the brass especially was on excellent form. But any spark of humour was lacking from the overture, while the symphony had a machine-like inevitability.

Andrew Clements

COE, Barbican Hall; RPO, Royal Festival Hall

Choirs at St John's

One of the phenomena of the 1980s was the rise of small classical music groups, which took their affairs into their own hands. To see the potential rewards, one has only to look at the Tallis Scholars, a group which has aggressively promoted its activities through setting up its own record label and which has won an enormous following both in Britain and overseas – an example which other choirs are starting to emulate.

At St John's, Smith Square last week a pair of choral evenings gave the hall two well-filled houses. The Tallis Scholars' new recordings regularly feature in the best-sellers lists of the smaller record companies and a good audience must almost be assured when they appear, but we should not take their popularity for granted. Twenty years ago it would have been unthinkable to draw so many people to a programme of composers as obscure as Morales, Lupi and Verdelot.

Under the direction of Peter Phillips, the choir has specialised in the unaccompanied sacred music of the Renaissance. There is no other comparable group that can match the focus of these voices, not a hint of vibrato, their sound searingly clear. In Morales's *Missa Mille regretz* there may have been more opportunity to vary the tone colour than they took; but Lassus's Magnificat (no 100) was a well-nigh unsurpassable example of small choir singing, crisp, alert, unanimous in rhythm and spirit.

Anybody who missed Wednesday's concert, which also included a beautifully serene Ave Maria by Ludwig Senfl, still has the opportunity to catch the Tallis Scholars in the second of their St John's appearances next week.

Unfortunately, it is another year to wait for the return of the Birmingham-based chamber choir, Ex Cathedra.

On Saturday it presented a programme entitled "Music for the Kings of France". There is every sign that this is an ambitious group. Like The Tallis Scholars, it has founded its own record label, on which its first CD, of the Vivaldi Vespers, has now appeared. But in this case the choir does not intend to lift its profile through specialisation: Dvořák and Stravinsky also feature in its current season.

At about 30 members, it is the right size for the music of the composers of Louis XIV's reign. Both Lalande's *Jubilate* and Du Mont's *Magnificat* employ a "petit choeur", here taken by fresh young solo voices from within Ex Cathedra. Lalande's Concert de trompettes also allowed the Ex Cathedra Baroque Orchestra, softer-grained than other original-instrument bands that I have heard at St John's, to show its very professional paces.

The main work was Charpentier's *Te Deum Laudamus*, receiving its first London performance in a new edition by Lionel Sawkins. Under Jeffrey Skidmore's direction, this was music-making of enormous éclat, the choral singing zestful, the trumpets ringing out with brazen vigour: Ex Cathedra will be welcome at St John's more often.

Richard Fairman

Tallis Scholars' second programme is on February 10 (Box Office 071-222 1061)

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS

Philharmonie Tonight: Paul Daniel conducts Berlin Radio Symphony Orchestra in works by George Benjamin, Beethoven and Rakhmaninov, with piano soloist Emanuel Ax. Tomorrow (in Kammermusiksaal): Hansjörg Schellenberger directs Haydn Ensemble of Berlin. Wed, Thurs, Fri: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Brahms. Sun and Mon: Vladimir Ashkenazy conducts BRSO in Mahler's Second Symphony. Feb 10: Alfred Brendel. Feb 15: Anne Sophie Mutter (2548 8232)

Schauspielhaus Tonight: Miguel Gomez-Martinez conducts Berlin Symphony Orchestra in works by Granados, Chopin and Berlioz, with piano soloist Bella Davidovich. Thurs: David Geringas plays Dvořák's Cello Concerto with Brno State Philharmonic Orchestra. Fri: Peter Maxwell Davies conducts Berlin Radio Orchestra in works by Sibelius and Maxwell Davies. Sat, Sun, Mon: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Stravinsky, Nielsen and Sibelius, with clarinet soloist Sabine Meyer. (2090 2156)

OPERA/DANCE

Deutsche Oper Tonight: Peter Schaufuss' production of Nutcracker. Tomorrow: Zar und Zimmermann. Wed and Sat: Macbeth with Galina Kalinina and Simon Estes. Fri: Schaufuss' production of Giselle. Sun: Stravinsky ballet evening with choreographies by Balanchine and Béjart. Feb 9: Gwyneth Jones song recital. Feb 13: first night of Götz Friedrich's new production of Der Rosenkavalier (341 0249)

Staatsoper unter den Linden Tonight: Fidelio with Luana De Vol, Wolfgang Schmidt and Hans Tschammer. Tomorrow: Giselle. Wed and Thurs (in SFB Grosser Sendesaal): Gerd Albrecht conducts concert performances of Othmar Schoeck's last opera Das Schloss Dürande (1943), with Karen Huffstodt and Reiner Goldberg. Fri and Sat: Sleeping Beauty. Sun: Hindemith's Neues vom Tage (200 4762)

THEATRE

The Berliner Ensemble, now managed by a committee of distinguished directors including Peter Palitzsch, Matthias Langhoff and Peter Zadek, has broken with its old repertory and begun continuous runs of selected plays. Following last month's production of Shakespeare's Pericles, Peter Palitzsch this week stages Peter Turrini's comedy Grillparzer im Pornoladen (Grillparzer in the Porn Shop), first night on Wed (282 3160). A new production of Cole Porter's musical Anything Goes has just opened at Theater des Westens, daily except Mon (3190 3193). Racine's classic tragedy Britannicus, directed by Wolfgang Engel, has joined the repertory at Schiller Theater, alongside Klaus Pohl's study of German xenophobia Die schöne Fremde (312 6505). Gisela May stars in a new production of Gerhart Hauptmann's 1893 tragi-comedy Der rote Hahn (Red Rooster) at Renaissance Theater (312 4202)

GENEVA

Grand Théâtre Tonight: Carlo Rizzi conducts first night of Werner Schroeter's production of Luisa Miller, with Kallen Esperian, Thomas Allen and Neil Shicoff (repeated Feb 5, 9, 13, 17, 21). Feb 14: Lucia Popp song recital (311 2311)

Comédie A musical variety show, composed by Mauricio Kagel and staged by Werner Herzog, opens tomorrow and runs daily till Sat (replacing the previously advertised Doctor Faustus Lights the Lights). The Kagel piece, commissioned by the French government in 1977 and revived last year with great success by Berlin's Hebbel Theater, combines 1920s German cabaret, circus acts, stage magic and contemporary music (320 5001)

Victoria Hall Wed: Armin Jordan conducts Orchestre de la Suisse Romande in a programme consisting of Tippett's Triple Concerto and Zemlinsky's Lyric Symphony (311 2511). Thurs: Michel Béroff piano recital (310 6611)

Théâtre de Carouge Jacques Rampal's comedy Célimène et le Cardinal, inspired by Molière's Le Misanthrope, daily from tomorrow till Sun (343 4343)

■ MILAN

Teatro alla Scala Tonight: Solomon Trio. Tomorrow, Wed, Fri, Sat: Marcello Viotti conducts Pier'Alli's new production of Beatrice di Tenda (Bellini), with Cecilia Gasdia and Lucia Aliberti alternating in the title role. Next Mon: Riccardo Chailly conducts Orchestra of La Scala in Messiaen's Turangalila Symphony. Feb 15: Claudio Abbado conducts Berlin Philharmonic Orchestra. Feb 22: Maurizio Pollini (7200 3744)

■ NEW YORK

OPERA/DANCE

Metropolitan Opera Tonight: Christian Thielemann conducts revival of Der Rosenkavalier, with Mechthild Gessendorf, Susanne Mentzer and Jan Hendrik Rootering (also Feb 5, 11, 17, 19, 25, March 1, 5). Tomorrow and Sat: Meistersinger with Donald McIntyre. Wed and Sat afternoon: Il trovatore with Aprile Millo, Lando Bartolini and Vladimir Chernov. Thurs (also Feb 8, 13, 18): Les Contes d'Hoffmann with Domingo (362 6000)

State Theater New York City Ballet's repertory performances continue daily except Mon till Feb 21. Bavarian National Ballet gives a two-week season opening on Feb 23 (870 5570). Feb 23-March 7 in City Center: Joffrey Ballet (581 1212)

CONCERTS

Carnegie Hall Tonight: Riccardo Muti conducts Philadelphia Orchestra in works by Stravinsky, Rands and Brahms. Thurs: Yoel Levi conducts Atlanta Symphony Orchestra in works by Tchaikovsky and Beethoven, with piano soloist Andrei Gavrilov. Fri: Andre Previn conducts Orchestra of the Curtis Institute in works by Berlioz, Rorem and Rakhmaninov, with piano soloist Gary Graffman. Next Mon: Vienna Chamber Orchestra. Feb 9-11: Shirley Bassey. Feb 16-18: Solti conducts Vienna Philharmonic (247 7800)

Avery Fisher Hall Tomorrow: Erich Leinsdorf conducts New York Philharmonic in works by Hindemith, Haydn and Tchaikovsky. Thurs, Fri afternoon, Sat, next Tues: Leinsdorf conducts works by Weber, Britten and Richard Strauss. Fri evening and Sun afternoon: Edo de Waart conducts Minnesota Orchestra (875 5030)

■ VIENNA

OPERA

This week's programme at the Staatsoper includes two performances of Otello (Wed and Sat) with Vladimir Atlantov and Renato Bruson. Miriam Gauci sings Desdemona on Wed and Julia Varady on Sat. Giselle can be seen tomorrow, Fri and Sun, and Fidelio on Thurs, with Gabriela Benackova and Thomas Moser (51444 2955). The Volksoper repertory includes Die Fledermaus, Les Contes d'Hoffmann, Coppelia and Heinz Karl Gruber's new opera Gomorra (51444 2959)

CONCERTS

Georg Solti conducts the Vienna Philharmonic Orchestra in symphonies by Mendelssohn and Shostakovich at the Musikverein on Thurs evening, Sat afternoon and Sun morning. The Musikverein programme also includes an Austrian Radio Symphony Orchestra concert on Fri conducted by Yakov Kreizberg, with works by Krenek and Brahms/Schoenberg (505 8190). Gerhard Oppitz gives a piano recital at the Konzerthaus on Thurs, followed on Fri by a concert featuring Peter Dvorsky, Alessandra Marc and Sherrill Milnes in a programme of Italian arias (712 1211)

THEATRE

Akademietheater has Die Rundköpfe und die Spitzköpfe, Brecht's atrocity tale with music by Hanns Eisler, and Chekhov's Uncle Vanya (51444 2959). The Burgtheater repertory includes Kleist's Käthchen von Heilbronn directed by Hans Neuenfels and Goldoni's Impresario of Smyrna directed by Claus Peymann (51444 2218). A new production of Schnitzler's Liebelei opens at Theater in der Josefstadt on Thurs (402 5127). Vienna's English Theatre (Josefsgasse 12) has Shaw's Misalliance, daily except Sun (402 1260)

European Cable and Satellite Business TV

(all times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0700; 22.30

MONDAY

Super Channel: West of Moscow 1200.

Super Channel: Financial Times Reports 0630

THURSDAY

Sky News: Financial Times Reports 2030; 0130

FRIDAY

Super Channel: European Business Today 0700; 1200; 2230

Sky News: Financial Times Reports 0530

SATURDAY

Super Channel: Financial Times Reports 0830

Sky News: West of Moscow 1130; 2230

SUNDAY

Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Still standing after all these years

Andrew Adonis examines the City Corporation's extensive activities and the practical purposes behind its pomp

Once again the City of London is in the dock. It is being forced to defend one of the most bizarre yet integral of its institutions: the City Corporation.

The corporation, local authority for the "square mile", fears that the home secretary's plans to amalgamate Britain's small police forces could spell doom for its constabulary, the smallest in the country. Such alarm has always been misplaced in the past, but it is resisting tenaciously all the same.

The City Corporation is a remarkable relic of a bygone age. It lives on because its medieval flummery serves a practical purpose – selling the nation and City; and because its instinct for survival, and enlightened use of its wealth, has kept it one step ahead of its pursuers.

"Looking at the three great medieval institutions left in England," says Mr Tony Travers, director of the Greater London Unit at the London School of Economics, "I would stake money on the City Corporation outliving the monarchy and House of Lords. It's amazingly resilient in its own defence."

If the corporation did not exist, no one would think of creating it. In Dickens's day, more than 100,000 lived cheek-by-jowl in the stinking City lanes and alleys he immortalised. Nowadays, the square mile has only 5,000 residents, largely yuppies and executives with *pieds-à-terre* in the Barbican complex. No other inner London borough has fewer than 135,000 residents; and neighbouring Westminster has to service at least as many commuters as the City.

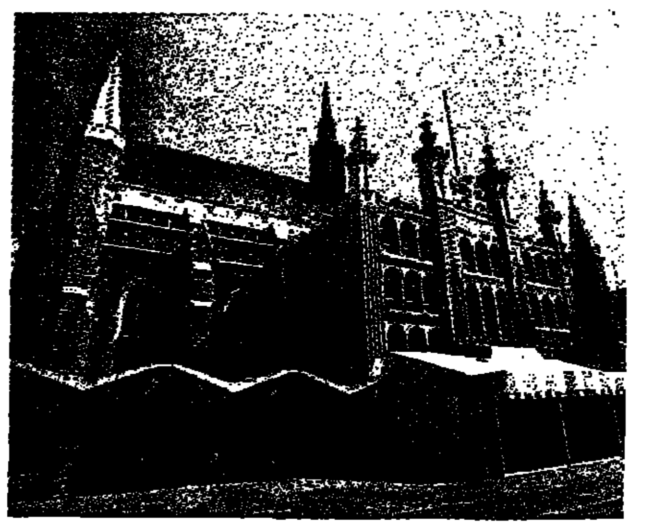
To govern its 5,000, the corporation has 132 common councilmen and 25 aldermen (the latter elected until retiring age), a ratio which if applied to Birmingham would yield 31,000 councillors (it has 117). A number of antiquated franchises give non-resident businessmen votes, and even allow members of the City's 100 livery companies – successors of 11th-century religious and social fraternities – a voice in the selection of the Lord Mayor.

All of which makes the corporation an easy object of ridicule. But, says Mr Travers, "as a provider of local services, it is a model to which other councils ought to aspire; and it has to be seen as a national, as much as a local, institution."

In its local authority capacity, the City runs a primary school. It has an excellent library service, including a dedicated business library. Its 800-strong constabulary is the ultimate in community policing, and is widely acknowledged to have a first-rate fraud squad. If its planning committee is not short of critics, royal and common, controversies such as that over Paternoster Square are not unusual for councils regulating development in sensitive historical areas where people still have to work.

But even with the City's health service and the Old Bailey, both of which it manages, the corporation's responsibilities hardly justify a separate local authority. Most of its claim to existence depends upon its wider role in London and the state.

Its assets are tradition and wealth. The ancient ceremony, complete with tricorn hats, costumes, even swords and axes, which adorn every mayoral function at Guildhall and Mansion House – the latter currently undergoing a £20m restoration – are an established part of British state pageantry. The Lord Mayor spends his year in office entertaining and being entertained. "That, more than anything, exemplifies the uniqueness of the City; we arrange it all closely with the Palace and the Foreign Office," says Mr Adrian Barnes, the Corporation's Remembrancer, a kind of master of ceremonies.



Profits of pomp: Sir Francis McWilliams (left), Lord Mayor, with the Queen; Guildhall (right), home of the City Corporation

With tradition comes influence of sorts. Abroad, the Lord Mayor is often mistaken for "Mr London". Since no one else but the environment secretary can claim that title, it gives no offence. Last year's Lord Mayor, Sir Brian Jenkins, spoke out for Maastricht's proposed European Central Bank to be located in London, taking the City's case to Brussels and across the continent.

The corporation is more cautious about projecting itself at home. It kept its head down in the 1980s, anxious to avoid the political cross-fire over the abolition of the Greater London Council. However, under the leadership of Mr Michael Cassidy, chairman of its important policy and resources committee since last year, the corporation has taken a higher profile. Its latest initiative is a "one-stop shop" for potential overseas investors in the capital, an idea it is pioneering with Westminster and the Docklands Development Corporation.

As to wealth, the corporation owns more than a quarter of all the property in the square mile, and has a large portfolio beyond (about 900 properties in all). With a private income of £33m this year, it has ample scope to play the benevolent patron. Furthermore, relative to the size of its resident population, its local tax income – which is separate from its private income – is far larger than that of other authorities. For uniquely, it is not obliged to put all its income from non-domestic rates into the national pool, a privilege worth £32m last year.

The corporation distributes its largesse to causes accumulated over a century and more. The oldest are its three food markets – Spitalfields for fruit and vegetables, Smithfield for meat, Billingsgate for fish – for which the City has been responsible since the Middle Ages. It met a large part of the bill for moving Spitalfields to Leyton, and Billingsgate to Docklands, and is spending £40m on upgrading Smithfield to meet EC hygiene standards.

Of more recent origin are the City's various schools. The corporation owns and manages three public schools, including the City of London Schools for Boys and Girls, for both of which it has built new premises in the past 20 years. It is also owner-governor of the internationally renowned Guildhall School of Music and Drama, which takes 700 students from 40 countries.

Then there are 9,000 acres of forests, commons and open spaces in and around London. Epping Forest, Burnham Beaches, Highgate Wood, Queen's Park, West Ham Park and various commons in Kent and Surrey all sport the City logo. They are mostly acquisitions of the 1870s and 1880s, when the corporation, anticipating the Green Belt movement, acted to safeguard open spaces on the fringes of the capital, securing an Act of Parliament giving it power to acquire land within 25 miles of the City for the "recreation and enjoyment" of the public.

Hampstead Heath's 700 acres are the latest addition, a share of the former GLC's spoils. It was a shrewd move by the City: in its first year it footed £1.5m of the £2.4m bill for the heath's upkeep, which other boroughs could have ill afforded.

The jewel in the City's Crown is the Barbican Centre. Opened 20 years ago, its assemblage of theatres, art galleries, cinemas, concert halls, bars and restaurants is London's largest art forum. The corporation funds the Barbican to the tune of £11m a year, plus repayments of nearly twice that on capital. It also subsidises the centre's two resident companies – the London Symphony Orchestra and the Royal Shakespeare Company – by about £2.5m this year on top of their state funding.

Like all patrons, the corporation's relationship with its protégés is often tense. Relations with the RSC have been particularly frosty: Baroness Detta O'Cathain, the Barbican Centre's director since 1990, spent much of her first year in a war of words with Mr Terry Hands, the RSC's then artistic director.

But the baroness, used to fraught negotiations from her previous job managing the Milk Marketing Board, lauds the corporation as patron. "They are not obsessed with continuously packed houses," she says. "We can afford to be *both Classic FM and Radio Three.*" Last month, the entire centre was devoted to a festival of Scandinavian arts – an artistic and box office success, but requiring large subsidies, including a £300,000 grant from the City corporation.

The Barbican, too, is undergoing refurbishment at the corporation's expense. One of the baroness's main concerns is to give the centre a proper entrance. The most complex maze in London, it currently has 123 ways in and out but no identifiable entrance or intelligible signposts.

Much the same could be said of the corporation itself. With wealth, tradition, and a myriad of functions and activities, it is more than the sum of its heterogeneous parts, and has friends in most corners of the Establishment. Says Mr Travers: "If it survived the 1980s, the corporation should have no problem with the next seven centuries" – with or without a police force.

Discreet force in fear of blue murder

A consignment of blank certificates of deposit was stolen in 1990 while being delivered to a branch of the Banco di Spirito in Rome.

Later this year, 20 people will be tried in Italy for their alleged parts in the theft and attempted fraudulent use of the 294 certificates which – had the crime succeeded – could have cost banks more than £200m.

Between the theft and the arrests, detectives from the UK's smallest police force – the City of London – played a central role in bringing the 20 to trial. The accused are unlikely to learn the full story. Tracking down stolen negotiable securities and preventing fraud, as opposed to investigating it after it has taken place, involves police work of the most discreet nature.

The 800-strong City force covers only the square mile and, while it has its share of routine duties, differs considerably from the rest of the police service. During 1991 it did not have a single murder, manslaughter or rape to investigate. By contrast, it handled nearly 600 fraud cases.

One of the advantages for the City in having what amounts to a private police force is the ability it gives senior officers to allocate extensive resources to investigating and preventing financial irregularity. Mem*bers of the City Corporation see this* as an important contribution to maintaining worldwide confidence in London as a financial centre, and fear it would be diluted in an amalgamation with the Metropolitan police force.

Fraud, theft of securities and other attacks on the banking system occupy officers from the central detective unit and the company fraud department – which seconds staff to work with the Serious Fraud Office on the most complex cases. Because of London's size as a financial centre, securities stolen overseas are often presented in the City, drawing its police into a growing amount of international activity.

Long fraud investigations are expensive as well as complicated. "It is far more cost-effective if we can, as with the Italian case, recover stolen paper before fraudulent use is made of it, and catch people in the act," *says Detective Superintendent Daniel* McCarthy, deputy head of the City CID.

The Italian case took City detectives to Italy, Switzerland, Luxembourg, France and Belgium. It brought them into contact with a group of international criminals in the south of France specialising in financial crime in Switzerland – in the age of electronic communication, criminals need not set foot in the country where their crime is committed, complicating investigations and prosecutions. The case led to the discovery that money raised from the sale of the stolen certificates of deposit would probably have been used to finance a drugs operation.

The official response to cross-border liaison includes international conferences and co-ordination through Interpol and other agencies. In practice, City detectives rely on contacts with trusted colleagues in *other European forces in order to act* swiftly and jointly.

Growth in electronic trading will reduce the potential for theft of negotiable paper. But Det Super McCarthy believes it will mean a corresponding increase in computer fraud allied to the corruption of individuals within financial institutions.

In 1991, the City force handled 105 new serious fraud cases which – excluding some exceptional investigations such as Maxwell and BCCI – involved attempts to obtain £946m. Of this, £936m was recovered or saved from attempted fraud. At a time when the government is pressing for value-for-money policing, these figures might seem likely to make the force the toast of the Home Office.

But it is not so simple. Banks are reluctant to admit to the theft of documents, or accept that procedures for cancelling them are not fully effective, *for fear that* they might look less secure than competitors. This – allied to the unavoidably undercover nature of the detectives' work – makes it difficult for them to boast of successes and compete for resources. And, if opinion polls are to be believed, the public would in any case sooner see resources devoted to reducing car radio thefts than thefts of certificates of deposit.

Alan Pike

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A very useful catalogue

From Mr Arnold Taylor.

Sir, The publicity given to the financial problems of Sears Roebuck (January 26) reminds me of the story of the US midwest farmer who wrote to the company for the price of its toilet rolls.

It wrote back referring him to page 447 of its mail order catalogue, whereupon the farmer replied saying that if he had its catalogue, he wouldn't need the toilet rolls.

Arnold Taylor,
Avondale Lodge,
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Stanmore, Middx HA7 4AF

Rate cut beyond expectations needed to jump start economy

From Prof Deepak Lal.

Sir, The British Treasury seems to be repeating the errors of the US Federal Reserve which cost George Bush the US election. Gradual interest rate cuts based on lagged ex-post indicators of continuing economic sluggishness will not jump start the economy as they will be perceived as doing too little too late. For the debt deflation common to both the US and UK requires a Wicksellian response – with the market rate being pushed well below the "natural" rate of interest – resulting in an immediate boost to interest-sensitive spending as the public expects future interest rates to rise rather than fall.

As no one knows the current natural rate of interest – though a figure of a 2 to 3 per cent real rate would not be historically implausible – the only sensible short run course is to cut the market rate below the level anyone expects it to fall (say 3 to 4 per cent). This would leave little doubt that future interest rates are likely to rise rather than fall – boosting current spending. As soon as signs of overheating appeared, interest rates would obviously have to be raised. However, because of "White September" the exchange rate need no longer enter into the calculations!

Deepak Lal,
Department of Economics,
University of California,
405 Hilcard Avenue,
Los Angeles, California

Jumbo problem at airports

From Mr G J I Dougherty.

Sir, I wonder if the advent of the "super jumbo" carrying up to 800 passengers ("Boeing and Airbus partners agree to super jumbo study", January 22) will mean even earlier check-in requirements and disembarkation delays for long-haul travellers.

Is it too much to ask for a few of the several billions of dollars which will be spent on the super jumbo to be diverted to help streamline airport procedures, which already can mean upwards of two hours at each end of long-haul flights, if my own experience of seven big international airports recently is anything to go by?

G J I Dougherty,
Devonia,
New Road,
Childer Thornton,
South Wirral

Unrealistic base for banks

From E C Cade.

Sir, Mr Geoffrey Gardiner goes too far in his letter (January 25) in suggesting that a bank's equity base should be "represented by realisable assets". The implication is that all unrealisable assets should be matched with non-equity liabilities such as deposits, or that there are no such assets (which is an unrealistic expectation).

Since equity capital is risk capital, it is fair that a portion of it should be represented by the infrastructural investments of the business, which will be to some degree "unrealisable".

A proportion of equity should admittedly be free of such encumbrance, and it is another deficiency of the Basel approach that it jettisoned the "free equity ratio" that had traditionally been part of the prudential armoury.

E C Cade,
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Privatisation supporters slow to back plans for British Rail

From Mr Martin Shenfield.

Sir, It will be interesting to see whether, as a consequence of your leader on rail privatisation ("Privatising British Rail", January 26), others will be encouraged to come forward to join the "few faint voices of support" for the government's proposals. Certainly, it is most strange that none of the plethora of eminent merchant bankers and management consultants who have been proudly "privatising the world" has shown any strong inclination to lend their support. Possibly, they are all too busy advising the Department of Transport, British Rail, prospective bidders et al. Alternatively, previous experience of providing advice overseas on rail privatisation may have proved a chastening experience, particularly to those who have accepted work on a success fee basis.

My own consultancy experience ranges from Serpell to the High Speed link, as well as foreign privatisation plans. Such a track record reflects a well-worn advisory path from the lack of political will to address BR's problems by internal re-organisation in the early 1980s, to the eventual failure of the much-heralded public/private sector Eurorail joint venture in the face of the government's unwillingness to provide a subsidy. This despite the private sector's ability to provide significant capital investment funding.

Given the government's current willingness to provide subsidies to prospective operators without seeking any commitment to new investment, are we about to see the spectacle of the High Speed link saga entering a new phase? With the ever-changing policies to British Rail, it may well be that the reticent government supporters are just too giddy to put pen to paper.

Martin Shenfield,
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Working group set to resolve problems of safety for shipping

From E E Mitropoulos.

Sir, The article on the shipping problems in the Strait of Malacca (January 26) highlighted a major problem quite accurately. But the headline, "Malaysia's disaster warnings go unheeded in Strait of Malacca", was inaccurate.

The International Maritime Organisation is so concerned about the situation that at the end of last year the secretary-general, Mr W A O'Neil, formed a special working group to consider, within the context of measures to prevent and suppress piracy and armed robbery against ships, measures aimed at enhancing navigational safety, environmental protection and other related problems which exist in the region.

The working group consists of experts from a number of countries including representatives of Indonesia, Malaysia and Singapore. The group has already held its first meeting at IMO headquarters and will fly to Kuala Lumpur on February 27 for a 10-day visit to all three countries which will enable the problems to be examined in detail.

Following the visit, a report will be prepared which will be presented to IMO's senior technical body, the Maritime Safety Committee, which meets from May 24-28. Since the committee consists of all 136 IMO member states, it is expected that it will be able to take decision that will be of benefit to shipping security, safety and environmental protection in south-east Asia.

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FINANCIAL TIMES

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Monday February 1 1993

After the punt devaluation

YET ANOTHER punch-drunk European currency, the Irish punt, has thrown in the towel. Before the Dutch guilder, the Belgian franc, the Danish krone and the French franc are forced from the ring, European Community policy-makers should ask themselves whether what they gain is still worth the pain.

The difficulty facing the ERM is not currency misalignments and it is not the condemned "speculators" who are merely the bearers of the bad news. Their message is that real short-term rates of interest in continental Europe, now around 7 per cent, are far too high in a deepening Europe-wide recession. The speculators are not irrational. They are merely giving governments – or, if not governments, their electorates – credit for common sense.

Every country in Europe, except Germany (though many would disagree there too), needs far lower interest rates. The question is whether they will get them in time. Even Paris, the most resolute upholder of the "hard ERM", must recognise that persistence with *rigeur* may lead not to the sunlit uplands, but to a breakdown with damaging political, as well as economic, consequences. Tactical flexibility may now be a more satisfactory route to the strategic goal of Emu than persistence along the EC's present course.

Rate cut

The only escape would be a large reduction in German interest rates. Various German financial figures are suggesting early cuts. But how far are these likely to go? If Germany is to avoid a deep recession in 1993 and perhaps 1994 and France a recession of almost equal intensity, German short-term rates of interest might have to fall to 6 per cent within a few months. The chances remain small.

If the Bundesbank is not to provide relief, what are the alternatives?

Greater co-operation over exchange rate intervention is of modest help when the form of co-operation most needed – looser German monetary policy and tighter German fiscal policy – is unavailable. Realignments, though inescapable under severe pressure, are of limited benefit too, unless large. The problem of persistently high interest rates remains, since realignment can help here only if subsequent upward realignments against the D-Mark become credible.

It would have been best to have agreed a temporary suspension of the D-Mark upon German unification. It remains the best option. Let the Bundesbank fight its battle for stability unhampered by the monetary consequences of foreign exchange intervention and relink exchange rates when German inflation is once more where the Bundesbank wants it. Yet an agreed suspension of other currencies need not do them much harm. Given the strong fundamentals of the French economy, in particular, the franc might lose little value, even with lower interest rates.

Wider bands

An alternative would be temporarily wider bands. But these would have to be wide enough to allow currencies a reasonable chance of appreciation within the ERM and so lower short-term interest rates than Germany's.

Under the Maastricht treaty, a country does not have to maintain its parity within the ERM for more than two years prior to joining in the third stage. This means that suspension of modification of the ERM need not preclude Emu at its earliest possible date, provided the full ERM were restored by the beginning of 1995. Such a restoration could be announced alongside a current suspension or move to wider bands.

The alternative to greater flexibility is either fighting on or immediate moves to a mini-Emu. But the latter path would be divisive within the EC and no less within the putative participants. Mr Helmut Schlesinger, the Bundesbank president, has already shown his opposition. Worse, a mini-Emu would not even help much, unless the Germans were to accept that German inflation would have a substantially smaller weight than now.

C'est magnifique, mais ce n'est pas la guerre; and it is not sensible monetary policy either. European leaders should ask themselves whether their strategic goal of European union might not be better served by a temporary retreat than by galloping on to glorious defeats or Pyrrhic victories.

Mr Lamont's big chance

THE BUDGET that he is to present on March 16 is likely to be Mr Norman Lamont's last, or so many in the City and Westminster think. He must rise to the occasion. Otherwise, he risks going down in history as an unhappy cross between the prime minister's poodle and his scapegoat, having presided, insouciantly, over the deepest recession since the 1930s and the sharpest deterioration of the public finances to occur in peacetime. Mr Lamont has nothing to fear but fear itself. He should dare to be bold.

The tasks the chancellor should set himself are to present a convincing prospect of recovery, a sustainable profile for the public finances and, if possible, an attractive vision of fiscal reform. So dreadful is the state of the economy and so dire the state of the public finances that this must seem almost impossible. But it is not, or at least not altogether. This is the first Budget of the new parliament; it is the first of two Budgets this year; and it is also the first post-ERM Budget. All these give the chancellor important opportunities.

Assume the worst

First, however, Mr Lamont should assume the worst, not only on prospects for the economy, but also on those for the Budget and the balance of payments. There are three reasons for advising a bias towards gloom in the preparation of this Budget: first, the worst – dismally slow growth and fiscal deficits of well over 10 per cent of gross domestic product stretching into the distant future – could quite easily happen; second, if this were to be how things turn out, the government could find itself without politically tolerable means for tackling the ensuing disaster and no time within which to do so either; third, should things turn out better than feared, it would always be possible to make more politically popular adjustments later, as the next election approaches.

What might advice to be bold, but also to assume the worst, mean in practice?

The chancellor's starting point must be with the way in which monetary and fiscal policy became disastrously unbalanced within the ERM: a public sector debt repayment of 3 per cent of gross domestic product in 1988-89 will, says the Institute for Fiscal Studies in its Green Budget, turn into a public sector borrowing requirement (less privatisation receipts) of 9½ per cent of GDP only five years later, while the ratio of net public debt to GDP will rise by 50 per cent between 1990 and 1994 alone. Meanwhile, the growth rate of broad money (M4) has fallen from an average of 16 per cent a year between 1985 and 1990 to a dismal 3.7 per cent in the year to December 1992.

Gradual approach

The government has begun to put things right. Monetary policy has been loosened, although real short-term rates of interest remain quite high. Base rate of interest may have to be pushed down still more before the vicious cycle of debt deflation is put into reverse. But if the chancellor is to dare loosen monetary policy further, he must offer a sustainable fiscal prospect. That he cannot now do.

The only question is when Mr Lamont should act on the public finances. The answer, given the fragility of the economic position, on the one hand, and the rapid build-up of public debt, on the other, is sooner rather than later, but not at once. Mr Lamont should announce a large fiscal adjustment, including higher taxes on spending, in the March Budget, but the bulk of that adjustment should be postponed to the financial year 1994-95. Mr Lamont should also announce further fiscal adjustments that could be put into effect depending on circumstances at the time of this year's second Budget.

The great advantages of this approach are that it would bring spending forward, hastening the faltering recovery; it would make the fiscal outlook tolerable, rendering lower rates of interest on long-term bonds more likely; and it would make still lower short-term interest rates appear part of an overall strategy, not just another sign of panic.

On March 16 Mr Lamont should be daring. This may be his last chance to rescue both the economy and his own battered reputation.

This is the first of a series of leaders on the March Budget.

Tensions of the French connection

France's policy of stabilising the franc against the D-Mark is facing its sternest test, writes David Marsh

"The Germans will respect us only if we have a strong currency."
– Adviser to Mr Pierre Bérégovoy, French finance minister, 1985

As the weaker currencies melt one by one in the furnace of the European exchange rate mechanism (ERM), France's policy of stabilising the franc against the D-Mark is facing its sternest test.

Governments of both left and right under President François Mitterrand have backed the *franc fort* with impressive continuity since Mr Mitterrand's first, ill-fated dash for reflation ended in 1983. But, underlined by the squalls forcing the weekend devaluation of the Irish punt, France has not yet earned sufficient credibility and strength for financial markets to believe that the policy will never be abandoned.

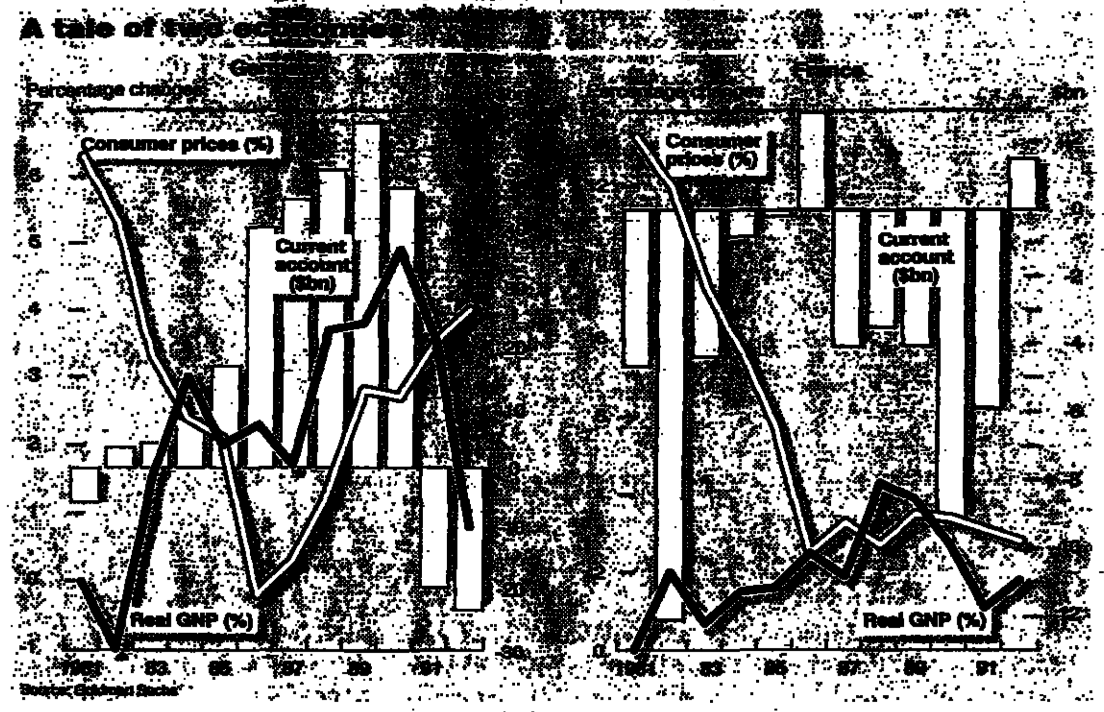
In contrast to Britain, France has avoided negative growth during the European economic slowdown, while its prowess on weak export markets is illustrated by a FFr30bn (£3.68bn) trade surplus last year. Yet, with unemployment now nearly 3m, the economy is rapidly sliding into recession under the dual burden of high German interest rates and the devaluations by many of France's European trading rivals since last autumn.

France is trying to remain aloof from the monetary flare-up surrounding the punt. The French franc was trading comfortably within its ERM margins on Friday – but this relative calm has been bought at a high, and rising, price.

French monetary tensions were illustrated by the rise of one-month French money market rates on Friday to 13.5 per cent. Short-term French interest rates thus carry a "risk premium" of nearly 5 percentage points above equivalent German rates. This is despite a fall in the French inflation rate last year to a 36-year-low of 2 per cent, half the current German rate of 4.4 per cent, pushed up by Germany's unification strains as well as an increase in value added tax.

The burden of high French interest rates has been kept within limits. Under government orders, French banks have held base lending rates to 10 per cent. None the less, the chairman of a leading French investment bank laments that, since inflation in the industrial sector is zero or even negative, the 10 per cent base rate represents not just a nominal but also a real interest rate. He complains that the economy is falling foul to a "war of ideology" over the exchange rate – caused, he says, by France's "fixation with Germany".

The link with Germany is all-encompassing. The overriding *political* rationale for a firm franc was strengthened by the upheaval of



German unification in 1989-90, when France reacted to the spectre of a larger, potentially dominant Germany by intensifying its drive for European union. The turbulent eco*nomic* outcome of unification – soaring German fiscal deficits, a Bundesbank monetary squeeze, and recession – is now undermining French policy aimed at containing its eastern neighbour. Maintaining a strong exchange rate, which has contributed to France's improved inflation and foreign trade performance, is the centrepiece of economic strategy. It has also become the touchstone of foreign policy – backed both by the Socialist administration of Mr Bérégovoy, prime minister since last year, and by the new right-wing administration likely to take over after the national assembly elections next month.

The *franc fort* represents the mechanism with which France, under the Maastricht treaty, can eventually achieve European economic and monetary union. Emu would represent the emasculation of German monetary power – the accommodation of a larger Germany in a united Europe through the replacement of the D-Mark by a single European currency.

During the campaign before the Maastricht referendum in September, Mr Bérégovoy reminded his compatriots that setting up a single currency would allow France to recover control over its monetary affairs largely ceded to the Bundesbank. Breaking the D-Mark/franc link in 1993 would not automatically block the path to Emu. Under Maastricht, this would take place in 1997 at the earliest. Yet, at a time when Britain and Denmark still have not ratified the treaty, and most European countries (including Germany) are failing to meet the Maastricht economic performance targets, a franc devaluation could eliminate the already-weakened political will behind Emu.

If France followed the line taken by Britain and Italy in September of leaving the ERM, rather than simply devaluing within it, the mechanism would be reduced to nothing more than the EC's "snake" stabilisation scheme of the 1970s.

A French exit from the ERM – similar to the two French departures from the "snake" in 1974 and 1976 – would spare Gallic pride. It would allow French ministers to claim (as British ones have been doing since September) that they had decided simply to "float" rather than to "devalue". More importantly, by leaving the ERM, as opposed to devaluing within it, France could open the optimistic option of cutting interest rates and eventually floating upwards against a weakening D-Mark.

Up to now, France's policy of maintaining its D-Mark parity has been given solid support from Bonn and Frankfurt. The longer-term objective of the *franc fort* policy – the replacement of the D-Mark by a single European currency – is regarded with suspicion by the Bundesbank and German public opinion. But the Bundesbank well recognises the political stakes involved as well as the importance for Germany's exporters of maintaining stable exchange rates with its senior foreign trade partner.

Amid a display of Franco-German monetary co-operation envied by governments in Britain and smaller ERM members, France weathered the crisis accompanying the September ERM exit of sterling and the lira. The Bundesbank has however stopped well short of volunteering unlimited support for the franc. And Mr Helmut Schlesinger, the Bundesbank president, last week quashed speculation of an accelerated Franco-German drive to Emu.

Ostensibly, leading right-wing politicians likely to form the new Paris government are backing the present government's franc policy. Mr Edmond Alphandery, the centre-right UDF deputy tipped by many as the next finance minister, said last week: "To maintain confidence, we must absolutely avoid decoupling the franc from the D-Mark."

As far as industry is concerned, the French government maintains that devaluations by Britain, Italy, Spain, Portugal, Scandinavian countries and now Ireland are not a problem, because France has built up competitive gains by squeezing unit costs since the end of the 1980s. But precisely because devaluation elsewhere has increased the temptation for France to do likewise, right-wing parties are split on the wisdom of the present strategy. And the right's natural allies in industry are broadcasting rising concern.

Mr François Perigot, the president of the Patronat employers' federation, has loyally defended the Socialist government's *franc fort* policy in public. But he said last week: "We cannot eternally stand the interest rates practised by the Germans, and the exchange rates practised by the British." The Patronat is hoping for a relaxation in German monetary policy. If the Bundesbank during the next few weeks moves to cut its discount and Lombard rates, currently 8.25 per cent and 9.5 per cent, the pressure on the franc could ease.

A strong body of opinion in the Bundesbank policy-making council favours a gesture to preserve Franco-German bonds. However, a more influential faction, led by Mr Schlesinger, believes a convincing path to the Bundesbank's 2 per cent inflation target is not yet in sight. These officials argue that premature easing, before definite signs emerge of reduced wage and fiscal pressures, would be damaging for Germany's long-term outlook.

During the next few weeks, the level of Franco-German anxiety seems likely to grow. The show of strong nerves by the French government will probably go on; but the performance which determines the future of the franc will take place not in Paris, but in Frankfurt.

Samuel Brittan

When you ask a silly question . . .

"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of social responsibility other than to make as much money for their shareholders as possible."

This assertion of Milton Friedman's – like so many – combines provocative exaggeration with an important kernel of truth.

The exaggeration is in the phrase "make as much money as possible". Friedman is not advocating the shooting of business competitors or other Mafia tactics. He is perfectly aware that the profit maximising game, if it is to be in the general interest, requires a complex background of property rights, law, and above all mutual trust. Every medieval fair had its own body of accepted practice and tribunals for settling disputes.

Friedman probably regarded these aspects as too obvious to discuss when he wrote these words in Capitalism and Freedom 30 years ago. If so, he was wrong. The difficulties of the ex-communist countries in setting up market economies show that the background of institutions is as important as the removal of the constraints of the old regime. Moreover, cases further west, such as the court award against British Airways for harassing Virgin, show that observance of accepted business norms cannot be taken for granted anywhere.

What Friedman was really getting at, however, was the doctrine that business has to contribute to good causes, such as urban renewal, support of the arts, or the out of hours welfare of its own employees, let alone sacrifice profits to wrong headed causes such as Buy American or Buy British campaigns.

The point is not that these activities (except for the last) are undesirable but that it is up to individual citizens to decide how much to contribute. Insofar as they favour collective action, such action should be through duly constituted political processes and not through managers setting up as taxing authorities over the funds of shareholders.

These reflections arise from an attitude survey, Business Ethics in the UK, carried out for the Co-operative Bank by the University of Westminster. The sample response of managers of 16 per cent was reasonable given the paper which floods through business in-trays.

Participants were scored for "ethical sensitivity" in their responses to 33 statements. The result, in the author's words, is that businessmen "have strong ethical beliefs about honesty and truthfulness in business dealings, but there is also evidence of a tough freely competitive attitude".

The statements offered for approval or disapproval, and the scoring system, are more revealing than the answers. For instance, those who agreed that "a company has a duty to pay its workers a decent living wage, rather than as

little as they can" scored highly. Not only is the statement question-begging, but the attitudes behind it encourage employers to sack workers rather than trim pay – which is the reverse of ethical. Unfortunately the majority answered the "politically correct" way.

Other statements were systematically misleading, eg: "There is nothing wrong with selling low-quality goods, if that is what the public wants." Taken literally, the correct attitude should be the low-scoring "strongly against"; but there is a subtext hinting at deception or sharp practice. No wonder that responses were evenly spread. One statement is economically illiterate, namely: "Products which use scarce resources should be banned." In that case nothing would be produced, for all resources are scarce and the task of the price mechanism is to see they are not wasted.

The study is valuable despite the absurdities. It contains a worthwhile discussion of why objectives other than short-term profit maximising emerge from the Darwinian struggle of firms for survival. But before giving executives ethical sensitivity ratings, future studies should reflect on which attitudes really are and which are not helpful in the true ethical sense of promoting the general welfare.

OBSERVER

Cuckoos in the nest

■ Just as headlines announcing "England's collapse" are apt to alarm overseas visitors not acquainted with cricket, news of "a plague of ruddy ducks" will probably set UK cricket fans fearing still worse developments at the Test in India.

But the plague in question is striking a different sort of game, perhaps irrecoverably, and much nearer home – in Spain. For 15 years conservationists there have been working to counter the extinction of the white-headed duck. Although the species is also found in North Africa and western Asia, by 1977 the number in Spain had fallen to a mere 22.

Alas, just as things were waddling along nicely with numbers up to 790, in came the ruddy ducks, which aren't even native Europeans. They originate in America, and the only reason they are multiplying eastwards is that some imported specimens escaped from wildlife centres four decades ago.

That hasn't stopped them from mating like Don Juans with the white-headed Spanish. And the cross-breeding is now undoing the conservationists' good work to the extent that they've taken to shooting the ruddy interlopers.

Naturally, Britain's environment department cannot stand idly by in such circumstances. So it has formed a Ruddy Duck Working Group to study the problem, funding research at centres including the Wildfowl & Wetlands trust – which happens to be where the blasted things escaped from in the first place.

Upturn

■ Whatever the wilting of the Irish punt, the shamrocks will be standing up proudly come St Patrick's Day on March 17. Horticulturists at Dublin's University College have developed a growing technique that keeps the blooms from drooping.

Stern stuff

■ When it comes to tackling the challenge at IBM, there is one man who'll be sure the right candidate for the job is Northern Telecom's just departed chief executive, Paul Stern. That man is Paul Stern.

Having stepped down from the Canadian telecommunications group at 54, he is still young enough to oversee the protracted turnround Big Blue may need. He is also an American, with computer industry experience as the first president of Unisys. What's more, his success in broadening Northern's horizons is undeniable.

On the other hand – as witness his red Ferrari and the title of his book about his career, Straight

'I hope the green shoots of recovery don't turn out to be tobacco plants'

to the Top – he is self-assured to a fault. Indeed, some of Northern's big customers as well as fellow-directors there are far from sorry to see him go.

Royal row

■ Even though the Habsburgs long since lost their empire and throne, the imperial family can still get itself into a right twitter when one of its own marries a commoner.

Take yesterday's wedding of Austrian crown prince Karl Habsburg-Lothringen to German steel heiress Francesca Thyssen-Bornemisza. The Thyssens own the world's second-largest private art collection and are worth upwards of $1.5bn. But they're still commoners, and a prince is supposed to marry a fellow royal.

When attempts to block the match failed, most Habsburgs snubbed the reception and now threaten to deny Karl recognition as head of the family when his father Otto, the 80-year-old MEP, passes on.

Courtiers are especially upset about the Swiss-born Francesca's wild past which has caught the fancy of gossip columnists. Meanwhile Karl, the 32-year old grandson of the last emperor, has started work as a game show host on Austrian TV, and seems more interested in his ratings than his imaginary throne.

"We used to have subjects, now we have an audience," said one Habsburg, snootily spurning the wedding in a small Styrian pilgrims' town.

Bone shaker

■ Who could dispute that one quality needed in every army officer is backbone? So full marks to whoever thought of stressing the point in the latest advertisement for recruits to the Royal Military Academy, Sandhurst.

Seeking to boost the entry in May, which is always smaller than its counterparts in January and September, the ad pictures a human spine with the catch-phrase: "150 jobs. One basic qualification."

Then again, though, there are backbones and backbones. And Observer is pained to report, on medical advice, that the one portrayed looks to be female.

Surprised, Grant Duncan who handles the army account at advertising agency Collett Dickenson Pearce admits that a male spine was intended. Moreover, he says, the picture was checked with a Harley Street specialist.

The army remains unshaken. The response was proving quite good, it says, and anyway, "it just shows our dedication to equal opportunities . . ."

Driving force

■ Legend already has it that while Bill Clinton was out driving with his wife before the inauguration, he pulled into a busy filling station for fuel.

Hillary, thinking herself less likely to draw unwelcome attention, got out and filled up then went to one of the paybooths where, to her husband's annoyance, she spent a long time chatting familiarly to the man at the till.

"What a coincidence," she said on returning. "We were at college together – in fact, I dated him until I met you."

"So if I hadn't come along, you'd now be married to a gas station attendant," said her husband. "No," she replied, "I'd be married to the president of the US."

FINANCIAL TIMES
Monday February 1 1993

Dutch premier Ruud Lubbers (right), UK foreign secretary Douglas Hurd (centre) and Danish Liberal leader Uffe Ellemann Jensen at Davos

Chernobyl victims 'will need medical aid costing $55bn'

By Richard Lambert in Davos

VICTIMS of the Chernobyl nuclear disaster in 1986 required medical aid costing some $55bn, Mr Leonid Kravchuk, president of Ukraine, said in Davos yesterday at the annual World Economic Forum.

Around 11m people had fallen victim to the disaster in some way, he said. Estimated health costs came to about $5,000 per person by international norms. "To make these people healthy, we need $55bn."

Mr Kravchuk said Ukraine could not do without nuclear energy. But Chernobyl had become a moral factor for both Ukraine and the international community.

Preparations were now under way to make safe a sarcophagus built over the failed reactor in 1986. All three reactors at the Chernobyl site would be shut down by the end of 1993, "because they are not safe at all".

There have been several accidents at Ukrainian nuclear facilities recently, two at Chernobyl. Two of the Chernobyl reactors are operating at the moment.

At other plants, the priority was to modernise operational units and those which were still under construction. "We can introduce up to three units a year," Mr Kravchuk added. "This is why we are looking for technical and financial assistance from the west."

Mr Jacquès Attali, president of the European Bank for Reconstruction and Development, said last night that he hoped a new Bank fund launched by the Group of Seven nations to help upgrade nuclear power plants in eastern Europe could be operating by March.

According to an expert study, the east European states would need help with 60 nuclear plants, 14 of which should be closed.

Mr Attali estimated that the fund would need $60m for its legal establishment and $400m to start work.

According to Mr Eberhard von Koerber, executive vice-president of ABB Asea Brown Boveri, it was widely recognised that the $10bn cost of making nuclear power plants in eastern Europe safe would have to be borne largely by the west.

But so far, even the $700m agreed at the G7 Munich summit had not been raised, and "even when modest funding is arranged, it is blocked by bureaucratic impediments".

Bosnia peace plan faces cool response from Washington

By Robert Mauthner in Geneva

THE international peace plan for Bosnia, due to be submitted to the United Nations Security Council this week, is expected to receive a cool response from the US administration today.

Mr Cyrus Vance and Lord Owen, the co-chairmen of the Geneva peace conference on former Yugoslavia, are due to explain th.. half-finished deal, rejected by the three warring Bosnian factions at the weekend, to Mr Warren Christopher, US secretary of state, in Washington

US approval is considered vital if the Security Council is to exert effective pressure on the Bosnian Serbs, Moslems and Croats to make the necessary compromises for an agreement. But President Bill Clinton's new administration is reported to have serious reservations about the plan because it incorporates some of the effects of the Serbs' policy of "ethnic cleansing".

The mediators are also likely to face criticism of their plan for transitional power-sharing arrangements, which provides for dissolution of the present Moslem-led government and its replacement for an interim period by a nine-member transitional body until free elections are held.

Although the US administration has not yet taken a policy decision on the subject, it is said to be leaning towards a possible lifting of the embargo on arms sales to the Bosnian Moslems. But such a move is strongly opposed by Mr Vance and Lord Owen, who have stressed that the embargo could not be lifted selectively and would merely lead to an extension of the fighting. If the embargo was lifted for one side, it would be like lifting it for everybody else – "pouring fuel on the flames," Lord Owen said.

After presiding over four weeks of intensive negotiations between the leaders of the three factions, the international mediators, who did not want to prolong the talks indefinitely, finally decided to ask the Security Council to endorse the plan. They appear to hope that the fear of possible international military action under a new Council mandate, or the more effective enforcement of sanctions, will persuade the warring groups to conclude a deal.

"We are very close to an overall settlement," Lord Owen said at Heathrow airport before flying to Brussels for talks with EC foreign ministers. At the last meeting on Saturday before the talks were adjourned, only the Bosnian Croats signed all three parts of the peace package, consisting of a constitutional framework, comprehensive ceasefire and troop withdrawal arrangements and a map of the 10 semi-autonomous provinces into which Bosnia-Hercegovina is to be divided.

The Bosnian Serbs and Moslems both signed the constitutional principles agreed earlier this month, while the Serbs also signed the military agreement which, up to that point, they had consistently rejected. But neither President Alija Izetbegovic, the Moslem leader, nor Mr Radovan Karadzic, the Serb leader, endorsed the provincial map.

President Izetbegovic announced in Zagreb yesterday that he would accept the military accord if General Satish Nambiar, the commander of the UN peace-keeping force, presented him with a detailed plan for placing heavy artillery under effective UN control, to be included in the peace accords.

Laura Silber reports from Belgrade: Mr Franjo Tudjman, president of Croatia, vowed to gain control of a disputed Serb enclave following the successful Croat offensive across UN lines. He warned he would not shrink from using force to restore Croatia's territorial integrity.

Negotiators' achievements, Page 5

Broadway in Brussels fear as EC goes live

By Lionel Barber in Brussels

AMID plenty of soul-searching, the European Community will today open its doors to television cameras and allow portions of an EC foreign ministers' meeting to be broadcast live to Europe and the US.

The exercise is part of the EC's effort to make the Community's business more relevant to the European citizen, but it has caused traditionalists to wonder whether Brussels risks turning into Broadway.

"It's a bit of a circus," said one senior diplomat shaking his head at the prospect of foreign ministers abandoning behind-closed-doors diplomacy and playing to the gallery back home, at the expense of pressing subjects such as the conflict in Yugoslavia.

The Danish presidency is the driving force behind today's modest experiment in glasnost, the first time television cameras have been allowed to film a meeting of the Council of Ministers in the Community's 35-year history.

The democratically-minded Danes argue that too much EC business is wrapped in secrecy, couched in unfathomable bureaucratic language, and too remote from the ordinary EC citizen. By opening up parts of the two-day foreign ministers session in Brussels, the Danes hope to set a precedent for other ministerial meetings during their six-month term.

But critics - mainly among the EC founder-members such as France, Belgium and Italy - counter that the man on the Clapham omnibus or the woman on the Munich tram will be left no wiser at the end of today's television extravaganza.

EC citizens will see (hopefully) five-minute-long speeches on the EC's programme delivered by each of the 12 foreign ministers, as well as a set-piece by Mr Jacques Delors, president of the European Commission. Also on camera is the ceremonial opening of EC enlargement negotiations with Austria, Finland, and Sweden, as well as the signature of a trade agreement with Romania.

None of this is expected to match the intensity of a live congressional interrogation in the US or a raucous session at Westminster; but as a first step towards more transparency in EC business it has attracted the interest of Euronews, DR, the Danish television network, ARD in Germany, and CNN, the US news network, all of whom will be present.

Journalists, normally confined to the ground floor of the Charlemagne building, will be allowed to watch the live segments on closed-circuit television. But once the cameras are ushered out, it will be back to business as usual, with ministers and officials deliberating and deciding matters of substance well away from the prying eyes of the EC public.

THE LEX COLUMN

Drop kick for the punt

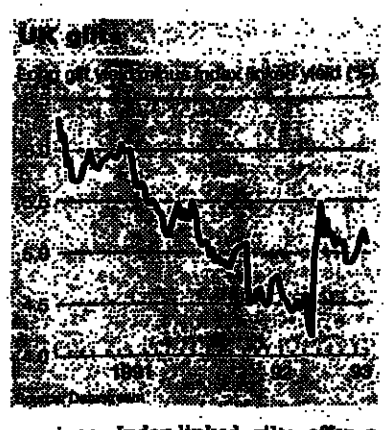
Ireland accepted on Saturday that virtue goes unrewarded in the ERM. On fundamental criteria like budget deficit and inflation, it did not deserve the humiliation of devaluation against the D-Mark. That the exchange markets thought otherwise is a reflection of two factors with increasing bearing on attitudes to the system as a whole. By sticking with its previous exchange rate, Ireland was storing up huge problems for itself in terms of unemployment and deflation; its industry had also become hopelessly uncompetitive compared with that of the UK which has left the shackles of the ERM behind. The temptation for other ERM countries to gain competitive edge through devaluation is all the greater as the economic outlook in Europe deteriorates.

With hindsight, it would have been more sensible to negotiate a general realignment last autumn. That would have allowed the D-Mark to appreciate and kept the other ERM currencies in better relationship to each other. Instead, the vain determination of finance ministers to stay the course has not only given speculators easy profits. It has also undermined the credibility of a system that had previously served Europe well.

In so far as France stood in the way of a general realignment, it must share the blame for what has happened since. The chances are that the franc will come under renewed attack. With the support of the Bundesbank, the marauders may once again be repelled. But that would not be a victory for the system as a whole. It would look instead as though an express route to monetary union had opened up for the favoured few, regardless of policy proclamation to the contrary. The problems of those on the periphery remain exemplified by Ireland. Its devaluations looks adequate now, but the advantage will quickly erode if the UK really is set on a policy of slashing interest rates and allowing sterling to fall. Ireland could then discover that it would have been better to leave the system altogether.

Index-linked gilts

The latest cut in interest rates strengthens the investment argument in favour of index-linked gilts. With the government evidently determined to restore growth at any cost, buyers of fixed-rate gilts might be forgiven for worrying about inflation. The equity market, meanwhile, has already discounted a strong recovery in corporate



earnings. Index-linked gilts offer a haven from unexpected inflation and economic disappointment. Judging by the £250m stock issued on Wednesday, the authorities are aware of the funding opportunity.

Even so, index-linked bonds are unlikely to play more than a supporting role in the government's funding programme while bond market investors remain so relaxed about the long-term inflation threat. The yield differential between fixed-rated and index-linked gilts – a rough measure of inflationary expectations – has hovered at around 5 per cent since sterling was forced out of the ERM. Equally, the yield on equities is not out of kilter with the real return on index-linked gilts. Institutions are reluctant to buy index-linked bonds unless this arithmetic changes.

Given the tax advantages, private investors may be buyers as they switch out of cash deposits. But the government has good reason to tread carefully. The recent spate of index-linked issues has done little to improve liquidity. Yields would rise quickly if the market was asked to take more paper than could be readily absorbed. That would have a knock-on effect in the rest of the gilts market the government must want to avoid.

UK building societies

Lower short-term interest rates are a mixed blessing for UK building societies. While easy money could inject life into the housing market and stem the flow of repossessions, it is starting to cause difficulties on the funding side. Last year saw a net inflow of only £295m, although deposit balances rose by £12bn thanks to interest credited. With base rates now at 6 per cent and likely to fall further, it is easy to imagine a net outflow occuring in 1993. Doubtless the government would be happy if some of this money finds its way into the gilts market. It might have second thoughts if the building societies were left unable to finance any revival in the housing market.

The societies appear squeezed. If they keep savings rates high to protect their deposit base, they must either slow the reduction in mortgage rates or forfeit margin. If the mortgage rate is held artificially high, other lenders like banks will steal market share. The societies could press for regulatory permission to raise more funds in the wholesale markets, but that would not help their margins. Besides, if they seek much extra money from the bond markets, they might find themselves paying a premium.

The dilemma facing the societies is thus what price they are prepared to pay for market share of both retail deposits and mortgage lending. One way they will probably fight back is will be by offering longer-dated investment products, say two year bonds. These would allow them to retain customers anxious to move out along the yield curve in search of a higher return. The funds could be used to match the fixed rate mortgages they are increasingly offering. They might even have some left to invest in gilts. That would help cover the PSBR if the government relaxed its full funding rule. Seeking the societies' collaboration in this way might be one way of avoiding another unseeming confrontation over the pricing of national savings products.

Airtours/Owners Abroad

The two belligerents in the package holiday bidding war have thumped each other with their respective documents. Yet all they have achieved is to induce mutual headaches: both have damaged the other's reputation whatever the bid's outcome.

Airtours has highlighted Owners' patchy trading record and the financial deficiencies of its proposed link-up with Thomas Cook. Owners has raised doubts about Airtours' calculations for synergy benefits and questioned the predator's growth prospects if the bid were to fail. Hostilities will abate until the competition authorities have had their say. The likelihood must still be that Airtours will be allowed to proceed. That will fix attention on whether the flirtation of Thomas Cook's German parent with Owners will develop more serious intent.

New chairman

Continued from Page 1

any more negative publicity.

"In this environment, with all the attention focused on management problems at IBM, Westinghouse and other major corporations, my staying at American Express would leave Harvey [Golub] and the company encumbered by issues that have nothing to do with reality – and for what purpose?" Mr Robinson's statement said.

New pressures on ERM

Continued from Page 1

necessary because of factors which were unrelated to the crisis inside the ERM.

They argued that, because a third of Ireland's trade was with Britain, the currency needed to be devalued to restore the competitiveness lost by the decline of sterling in recent months.

Foreign exchange analysts were concerned that the devaluation was not warranted by Ireland's economic position.

"Once again, a devaluation signals the death knell for the ERM," said Mr Paul Chertkow, head of global currency research at UBS Phillips and Drew in London. "The devaluation of the Irish punt only took place because the Bundesbank did not promise action at its council meeting later this week."

Miss Ruth Lea, chief economist at Mitsubishi International in London, said there was big risk of downward pressure against the French franc.

World Weather

City		°C	°F
Ajaccio	S	15	59
Algiers	S	19	66
Amsterdam	C	4	39
Athens	F	7	45
Bahrain	S	20	68
Bangkok	F	28	82
Barcelona	C	14	57
Beijing	S	6	43
Beirut	F	14	57
Belfast	S	4	39
Belgrade	S	-4	25
Berlin	S	0	32
Biarritz	S	14	57
Bombay	S	31	88
Bordeaux	S	13	55
Boulogne	C	3	37
Brussels	S	5	41
Budapest	S	-3	27
Buenos Aires	F	30	86
Cairo	F	19	66
Cape Town	S	23	73
Caracas	C	28	82
Casablanca †	F	14	57
Chicago †	S	-1	30
Cologne	S	0	32
Copenhagen	C	1	34
Corfu	F	11	52
Dallas †	S	2	36
Dublin	S	6	43
Dubrovnik	S	11	52
Edinburgh	S	5	41
Faro	C	13	55
Florence	S	9	48
Frankfurt	C	-3	27
Geneva	S	7	45
Gibraltar	C	11	52
Glasgow	S	5	41
Helsinki	C	-1	30
Hong Kong	S	20	68
Innsbruck	S	3	37
Inverness	S	5	41
Islamabad	C	20	68
Istanbul	Sn	0	32
Jakarta	R	30	86
Johannesburg	F	24	75
Lisbon	F	12	54
London	C	8	46
Los Angeles †	C	11	52
Luxembourg	C	-1	30
Madeira	F	17	63
Madrid	F	11	52
Majorca	F	17	63
Malaga	F	14	57
Malta	C	14	57
Manila	C	31	88
Melbourne	S	28	82
Mexico City	F	23	74
Miami †	S	17	63
Milan	F	5	41
Montreal †	Sn	-22	-8
Moscow	F	-9	16
Munich	C	-1	30
Nairobi	S	23	73
Naples	S	11	52
Nassau	F	25	77
New Delhi	S	20	68
New York †	F	3	37
Nice	S	13	55
Nicosia	C	13	55
Oporto	S	13	55
Oslo	S	1	34
Paris	C	3	37
Prague	S	-10	14
Reykjavik	R	4	39
Rhodes	S	9	48
Rio d'Janeiro	F	40	104
Rome	S	11	52
Salzburg	F	-3	27
S'Francisco †	S	7	45
Seoul	F	5	41
Singapore	F	28	82
Stockholm	C	1	34
Strasbourg	C	1	34
Sydney	C	25	77
Taipei	F	19	66
Tangier	R	10	50
Tel Aviv	C	15	59
Tenerife	F	18	64
Tokyo	S	12	54
Toronto †	C	1	34
Tunis	F	16	61
Valencia	F	14	57
Venice	S	4	39
Vienna	S	-7	19
Warsaw		–	–
Washington †	F	6	43
Zurich		–	–

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday February 1 1993

INSIDE

Nestlé in final stages of Perrier deal

Nestlé, the Swiss food group, is in the final stage of negotiations to sell to an unnamed buyer parts of Perrier, the French mineral water company which it acquired last year after a complex takeover battle. Any deal must be approved by European Commission competition authorities. Page 15

High-definition screen is blank

Philips, the Dutch electronics group, is suspending plans to produce for market televisions using High-Definition Television technology (HDTV).There are no programmes on the horizon for the European HDTV standard HD-Mac, so the company felt it was pointless to produce HDTV-Mac televisions. The move is the result of the British government's decision last December to block an EC funding programme for HDTV. Page 15

Torras continues litigation

Lawyers acting for Grupo Torras, the Kuwait Investment Office's troubled Spanish holding arm, have filed an appeal against a ruling by Madrid's senior monetary court that had rejected allegations of serious fraud brought by Torras against seven of its former senior executives. Page 15

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.1 (Last week: 13.7). This compares with an estimated p/e for the "500" of 17.0 (16.5) for calendar 1992, calculated by IBES, based in New York. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.54 (17.36).

Market Statistics

Companies in this issue

Saab Automobile to get SKr2.8bn cash injection

By Christopher Brown-Humes in Stockholm

SAAB Automobile is to receive a SKr2.8bn ($396m) capital infusion from its two owners, Saab-Scania and General Motors of the US, as part of a three-pronged drive to restore the group to profitability.

Combined with rationalisation and the launch of the group's new model later this year, the injection is meant to turn round the group's fortunes after four consecutive years of losses.

The funds are to be used for current operations and to assist in developing future car models. The money will be put into the company during 1993 with GM and Saab-Scania contributing SKr1.4bn each.

In mid-1991 the joint owners ploughed SKr3bn into Saab, and the car group received an additional SKr2.5bn subordinated loan from Saab-Scania. When it first emerged that a new injection was being planned last November, Saab-Scania president Mr Lars Kylberg indicated it would be the last support the company would receive.

Saab suffered a SKr1.3bn loss in the first nine months of 1992, and is expecting a full year deficit of more than SKr2bn. It has warned it faces an uphill task to return to profitability this year.

Crucial to its prospects will be the success of its new model – a replacement for the 900 series – which until now has been kept closely under wraps.

But the group also hopes to benefit from increased sales in the US, where there are signs of an economic upturn, the devaluation of the krona, and rationalisation. It is carrying out a cost-cutting programme which will cut 2,000 jobs, more than 20 per cent of its workforce, to save SKr2bn.

Saab Automobile's current ownership structure dates from 1990, when GM took a 50 per cent stake in the group, and Saab-Scania injected its car operations into the new company.

Meanwhile General Motors Nordiska and Saab Sverige Bil said they were planning to bring together the sales, distribution and servicing activities of Saab, Opel and the US GM programme in Sweden.

Eurobond debt issuance at a record

By Tracy Corrigan in London

INCREASED borrowing by European governments boosted the amount of new debt issued in the Eurobond market to a record $35.7bn in January.

The US corporate debt market also had its busiest month ever, with a total of $36.9bn, made up largely of refinancings, according to figures from Securities Data.

While most European governments have finished replenishing their currency reserves after last autumn's foreign exchange debacle, they still face mounting budget deficits.

Sovereign borrowers accounted for more than $8bn of total Eurobond issues in January, as their increased funding needs forced them to seek funds outside their domestic bond markets. Volume the previous January totalled $34.7bn, of which less than $5bn was made up of government debt, according to IFR Securities Data.

"European countries are under pressure to bring down debt levels to meet criteria for European monetary union, but with weaker economic growth and a shrinking tax base, this is not going to be an easy task," said Mr Jim Pelgrift, executive director of Morgan Stanley International.

The slowdown in most of the world's economies and the prospect of low inflation is likely to provide favourable conditions for bond markets. "Every market one looks at, there is potential for a rally," according to Mr Tom Skwarek, managing director of capial markets at JP Morgan.

There is some concern that the proliferation of government debt could lead to a crowding out of companies from the Eurobond market, as investors opt for stronger credits. But the higher *yields available on corporate debt* could attract buyers as interest rates decline.

The economic slowdown has discouraged European companies from tapping the market, since they do not need to borrow at this point in the economic cycle.

In the US, companies have been taking advantage of lower interest rates to lock in fixed-rate financing, as the economy emerges from recession. Volume in January just topped last January's $36.9bn record.

International bonds, Page 17

Alan Friedman analyses the latest hasty boardroom departure

The tide turns against another corporate Titan

THE resignation of Mr James Robinson as chairman of American Express on Saturday adds one more executive to the recent list of abrupt departures from international boardrooms.

The list ranges from IBM and Westinghouse in the the US, to British Petroleum, Australia's Westpac, and General Motors.

But Mr Robinson, 57, began last week by turning the tables on those in Wall Street who had demanded his resignation in the wake of heavy card losses and a share price slump. By the weekend Mr Robinson, faced by angry shareholders, recognised he had to go.

In September a group of American Express directors, including Mr Rawleigh Warner, the former Mobil chairman, insisted that Mr Robinson prepare to resign as chairman and chief executive.

The prime reason for the push was the obvious failure of Mr Robinson's 1980s strategy of trying to construct a financial services supermarket by way of an expansion that at various stages included plastic cards, travel services, the Shearson Lehman brokerage and investment banking business, private banking, cable television and insurance.

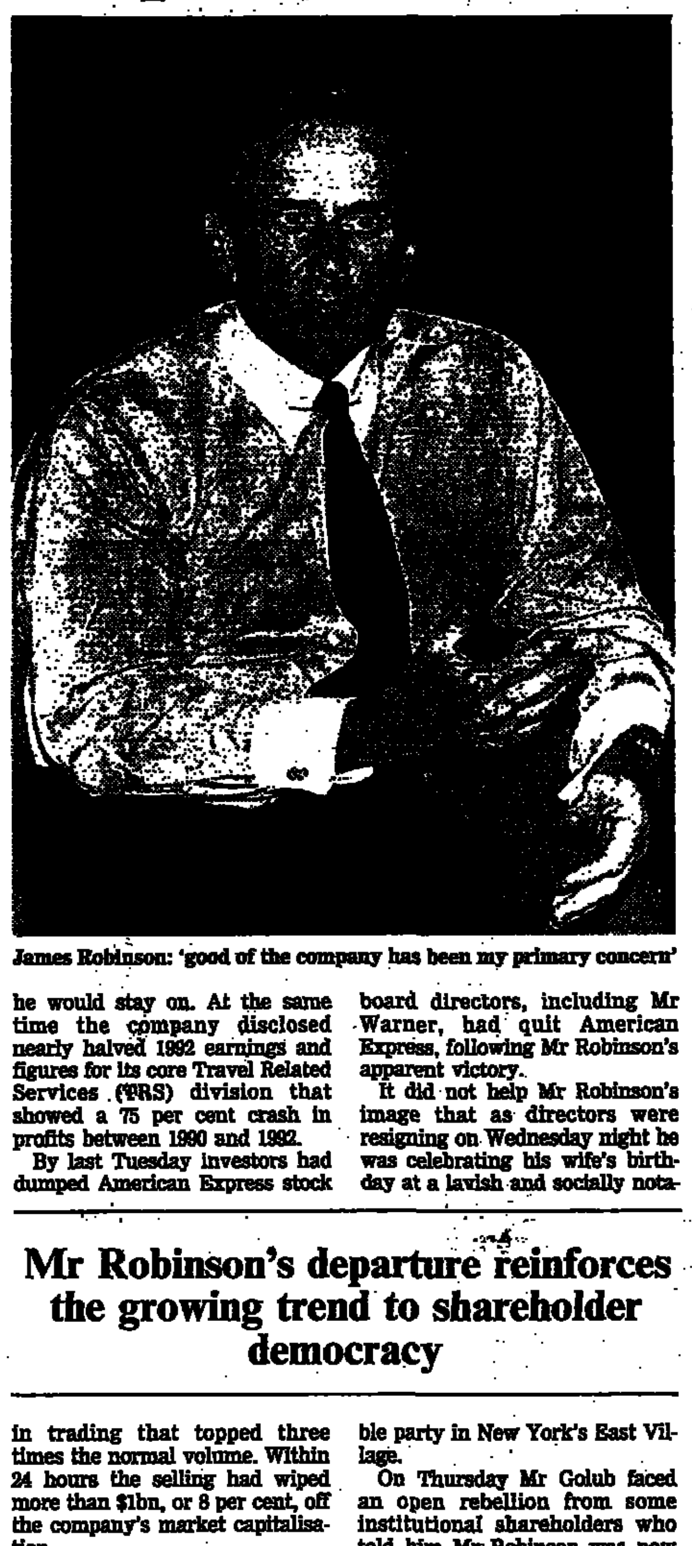
Mr Robinson's foremost adviser in his boardroom troubles has been Mrs Linda Robinson, his wife, an ambitious public relations executive.

His strategy was to put a brave face on his coming resignation as chief executive, denying he was being forced out. By last Monday he had persuaded the board, which included Mr Henry Kissinger, the former US Secretary of State, to install Mr Harvey Golub, his chief deputy, as chief executive.

But what really surprised American Express shareholders, however, was that Mr Robinson last Monday not only salvaged his job as chairman, but also pushed aside close friends and had himself named chairman and chief executive of Shearson, the loss-making subsidiary. Among those pushed aside was Mr Howard Clark, Jr, the Shearson chairman whose father – Mr Howard Clark Sr. – was Mr Robinson's predecessor at American Express and who had himself turned against Mr Robinson in recent weeks.

Although Mr Robinson said he was not available to be interviewed, close associates say both he and his wife perceived Shearson as his comeback vehicle, or may have hoped to restore it to profitability and eventually buy it from American Express. Mrs Robinson, in turn, has been dubbed the "Lady Macbeth" of American Express by some in the US media.

The opposition to Mr Robinson's tenure at American Express intensified immediately after it was announced last Monday that



James Robinson: 'good of the company has been my primary concern'

he would stay on. At the same time the company disclosed nearly halved 1992 earnings and figures for its core Travel Related Services (TRS) division that showed a 75 per cent crash in profits between 1990 and 1992.

By last Tuesday investors had dumped American Express stock in trading that topped three times the normal volume. Within 24 hours the selling had wiped more than $1bn, or 8 per cent, off the company's market capitalisation.

Analysts doubted Mr Golub's claim that he was in charge, viewing him as beholden to Mr Robinson. By Wednesday three board directors, including Mr Warner, had quit American Express, following Mr Robinson's apparent victory.

It did not help Mr Robinson's image that as directors were resigning on Wednesday night he was celebrating his wife's birthday at a lavish and socially notable party in New York's East Village.

Mr Robinson's departure reinforces the growing trend to shareholder democracy

On Thursday Mr Golub faced an open rebellion from some institutional shareholders who told him Mr Robinson was now proving an albatross to the company, dragging down morale, image and the share price.

By Friday it was rumoured that Mr Richard Furlaud, a director and the former president of Bristol-Myers-Squibb who has been a key player in the boardroom drama, had become concerned about possible shareholder lawsuits. Mr Furlaud is expected to be named as interim chairman, possibly as soon as today.

Mr Robinson remained defiant even on Saturday afternoon, when he finally announced he would sever all ties with American Express.

He dismissed as "a big misperception" the idea that his carrying on as chairman of the group would impinge on Mr Golub's ability to act as an independent chief executive. He replied to Wall Street's overwhelming vote against him by railing against "unnecessary confusion in the minds of some investors and the press". And he claimed that "the good of the company has always been and continues to be my primary and overriding concern".

Now American Express faces more disarray and insiders say it will be up to Mr Golub and what remains of the board to restore a semblance of stability, make new appointments and then get on with turning the group around. Shearson – alone among big US securities firms – suffered heavy losses in 1992. American Express must meanwhile face credit losses and its steady loss of market share and customers.

The future management direction of American Express is likely to see more tough measures by Mr Golub to reduce losses at the troubled Optima credit card division and to relaunch other card products and seek cost savings in the TRS division and at Shearson. It is not inconceivable that Shearson will eventually be sold.

In broader terms Mr Robinson's downfall, coming just five days after he had pulled off the most dramatic counter-coup seen in years in corporate America, is notable among the recent string of top-level management upheavals at blue-chip companies such as IBM, General Motors and Westinghouse.

The reasons are twofold. Firstly, Mr Robinson was among the last of the quintessentially 1980s corporate Titans.

His departure – more than others – is another sign that the *mind-set of the past decade* is over.

Secondly, his departure reinforces the growing trend toward greater shareholder democracy in America. It suggests no chairman and chief executive should believe himself to be invincible or unaccountable.

The revolution at American Express is thus both a cautionary tale and a potentially salutory lesson for corporate America. The next few months will show whether or not the company can profit from the pain.

The Magnificent Seven set to open up policymaking

Economics Notebook
By Peter Marsh

AN intriguing experiment in UK economic policymaking starts shority when Mr Alan Budd, the Treasury's chief economic adviser chairs the first policy meeting with the panel of outside advisers selected to inject a breath of fresh air into the way the Treasury assesses the economy.

The seven-strong panel, inevitably dubbed the Magnificent Seven or the "wise men", was set up at the end of last year after widespread criticism of the Treasury's record in economic stewardship and forecasting. Its first report is due to be published on February 19, just under a month before the Budget – and when public unease about the slow pace of any recovery from the recession is likely still to be high.

Providing it organises itself effectively, the group could turn into a useful forum for ideas about improving the UK economy's recent lacklustre showing. In contrast to the secretiveness which characterises much internal Treasury discussion, the atmosphere in which the group will operate will be commendably open. Although the formal drafting of the panel's thrice-yearly reports is currently intended to be left to the Treasury, the department says it wants the panel's *discussions to* be entirely free of official influence. Its reports are to be handed to Mr Norman Lamont, or whoever else is chancellor at the time, just a day or two before they are made public.

The people on the panel can be divided into two groups. There are three dissidents – Professor Wynne Godley of Cambridge University, Professor Patrick Minford of Liverpool University and Professor Tim Congdon, managing director of Lombard Street Research – all of whom have bitterly criticised Treasury policies in recent years. All argued for the UK to pull out of the European exchange rate mechanism well before Black Wednesday last September when heavy selling of sterling forced Britain's hand. In a particularly irony, the three were referred to as "quack doctors" by prime minister Mr John Major in a speech defending the pound's ERM parity made just six days prior to the devaluation.

The other four members, all of whom supported ERM membership, are more broadly representative of the economics establishment. They are Mr Andrew Britton, director of the National Institute of Economic and Social Research; Professor David Currie, head of economic forecasting at the London Business School; Mr Gavyn Davies, chief UK economist at Goldman Sachs, the US investment *bank; and Mr Andrew Sent*ance, economics director at the Confederation of British Industry.

Prior to the first meeting a week tomorrow, each economist will have sent Mr Budd a 2,000-word paper setting out policy suggestions, analysis and numerical forecasts. These papers will be printed in full with the first report. The gathering itself will be in private, which is a pity because it promises to be lively. Many of the panel members differ strongly with each other about how they think the economy works and how best to monitor it. Several – in particular Prof Minford and Prof Congdon – have reputations for being argumentative. Prof Godley has a quirky sense of humour which may help ideas to flow. Even so, the genial Mr Budd will need to be on top form to keep order.

His job as chairman will be to facilitate discussion, not to give his own views. Although some might see this as yet another sign of Treasury aloofness, there will be sound reasons for Mr Budd staying in the background. The usefulness of the panel's reports will depend on on their conveying outside views unadulterated by official thinking. Also should Mr Budd divulge Treasury opinions on matters such as interest rates, the panel members might be deemed to be in *receipt of inside information.* That could damage their reputations or even make them liable for prosecution.

After the panel goes home, drafting an account of the meeting will be left largely to Mr Adrian Cooper, a junior Treasury official known as "forecast co-ordinator" and who will be supervised by Mr Budd. Armed with Mr Cooper's view of what they all said and how any conclusions should be presented, the Magnificent Seven will return to Great George Street on February 16 to polish the draft. This is where the real fun will begin. Many of the panel members agree that little will be achieved if the report is simply a collection of individual views, without any effort to bring together ideas or important themes. Although expectations for what the panel can achieve should not be become too lofty, some of the highly worthwhile aims of the group may turn out to be incompatible with the Treasury having sole charge of the report's drafting.

While Mr Budd has good credentials for chairing the panel meetings, he should not be made responsible for fashioning a report which as well as being lively and well-written may need to criticise Treasury policies. An analogy is with the reports of the House of Commons' Treasury and civil service committee, an all-party group of backbench MPs. Even though the committee's members represent many shades of political opinions, whoever is chairman bangs heads together to ensure that its reports generally contain useful and thought-provoking points. In the case of the panel's reports, Mr Budd will not have the sense of ownership of their contents to do a similar job. Indeed, forcing Mr Budd into this role could give present him with an important internal conflict.

Therefore one of the first acts of the group should be to *elect someone other than Mr* Budd to supervise the writing of the assessments. While Mr Davies and Prof Minford would both probably do the job well, they are ruled out on the respective grounds of being too close to financial markets and being too opinionated. The best option is to give the job to Mr Britton, who has qualities of calmness and experience. He may have to be paid somewhat more than the meagre allowance of £125 a report which is all that the Treasury is currently prepared to give the panel members. A decision to put Mr Britton in charge of writing the panel's reports would be an important step to making the Treasury's new experiment a success.

Thomas Cook wants Airtours bid examined

By Richard Gourlay in London

THOMAS COOK, the UK travel agency and financial services group, has added its weight to calls for the Office of Fair Trading to recommend a referral to the UK Monopolies and Mergers Commission of Airtours' hostile bid for rival Owners Abroad.

Mr Christopher Rodrigues, chief executive of Thomas Cook, said selective use of statistics was seriously under-estimating the degree of concentration that would occur in the holiday tour market if the merger went through.

In December, Owners Abroad and Cook announced a tie-up which will give Owners increased access to the Cook retail chain and some of its products. In return, Cook will take a 10 per cent stake in Owners Abroad.

Airtours has argued that the combined group's total market share would be 25 to 27 per cent. Owners Abroad says it would be about 30 per cent. In a submission to the OFT last week, Mr Rodrigues argued that some popular destinations would be dominated to a far greater extent by the enlarged Airtours and Thomson, the market leader.

To the Balearics, for instance, the two companies would have 74 per cent of the market; to Florida, they would have 44 per cent; to Turkey 85 per cent.

He denied Cook would be under pressure in travel retailing if Airtours takeover went ahead and said: "Thomas Cook is not known for sitting on its hands."

Lex, Page 12

Iceland to expand via Littlewoods

By Richard Gourlay and Catherine Milton

THE RAPIDLY expanding Iceland Frozen Foods is set to take over the food retailing operations of Littlewoods, after the privately owned stores group's decision to withdraw from the market.

The shopworkers' union, Usdaw, has confirmed that it had already held preliminary meetings with management at Littlewoods and that they would meet again tomorrow.

Iceland is understood to be the strong favourite to take over the business that turns over £100m a year from 60 of Littlewoods' 120 stores. There are, however, other groups interested in the business.

Iceland already has 600 shops and could be expected to make significant savings on bulk buying and distribution. It has maintained strong earnings growth by rapid expansion of the number of stores.

Last year, however, the group enjoyed a further boost when it shifted its emphasis away from simply supplying bulk frozen food towards the sale of convenience foods on the high street.

The Littlewoods deal is likely to put Iceland in a stronger position to compete with the likes of Marks and Spencer in the growing market for convenience prepared foods.

The deal would give it about 250,000 square feet of extra retail space. It is likely to pay Littlewoods a percentage of sales.

Littlewoods has been under pressure from the Sainsbury, Tesco and Safeway supermarket chains which have significantly more buying power and larger out of town shops.

According to Usdaw, Littlewoods has decided to offer the business to Iceland because of undertakings it has made about staffing levels.

"Littlewoods have been influenced into making the deal by Iceland's indication it would try to keep on as many Littlewoods people as possible.

"We will seek to ensure their current terms and conditions are protected," the union said.

Rothschild Assurance 'satisfied' with £101m

By John Authers

J. ROTHSCHILD Assurance, the life assurance company started at the beginning of 1992 by Sir Mark Weinberg and Mr Mike Wilson, former executives of Allied Dunbar, brought in premium income of £101m in its first year.

New business figures for the group showed that total funds under management, which are shared between J. Rothschild Investment Management, M&G Investment Management and Scottish Amicable Investment Managers, were £290m.

The company sells only through its direct sales force.

Regular premiums accounted for £18.3m while single premiums were £82.7m.

A high proportion of protection, rather than investment, policies accounted for the high share for regular premiums.

Sir Mark, the chairman, said he was satisfied with the results, which showed that "we have established a company of substantial size in just one year".

BZW earnings calculation

By Andrew Jack

BARCLAYS de Zoete Wedd, the City security house, has announced how it will calculate earnings per share under the new accounting standard.

It will issue its own operating earnings per share figure which excludes profits or losses on business disposals, asset sales and fundamental restructurings.

The announcement is one of several beginning to appear from City firms attempting to grapple with FRS 3, the new accounting standard which becomes mandatory for companies with year-ends after June 22.

FRS 3 provides a profit figure which includes extraordinary items previously taken below the bottom line, and will be considerably more volatile than the existing profits figure.

County NatWest has already announced its method of calculating a continuing earnings figure, and a group of City analysts has put together a working party to consider a version which might be adopted as the industry standard.

BZW says it will begin publishing its own earnings figure alongside the reported earnings in its circulars.

The figure will be reached by taking published operating profit, subtracting net interest, tax, preference dividends and minority interests, and adding back tax and minority interests attributable to fixed asset and business disposals, closures and restructuring.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BHF (Germany)/Credit Commercial de France (France)	Charterhouse (UK)	Banking	est £200m	Talks enter final phase
Wessex Waste Management (US/UK)	Unit of NFC (UK)	Waste management	£113m	Re-orbiting for WWM
Waste Management (US)	Wessex Water (UK)	Water	n/a	Lifting stake to 20%
Freeport McMoran (US)	Unit of Ercros (Spain)	Mining	£36m	Selling Rio Tinto Minera
Consortium (Canada/UK)	British International Helicopters (UK)	Helicopters	£32.5m	MBO from Maxwell
Allied-Lyons (UK)/ Tata Tea (India)	Joint venture	Tea	£2.2m	Production venture
Reckitt & Colman (UK)	Mantovani (Italy)	Personal care	n/a	Star non-core disposal
MBO (Spain)	Unit of Gardiner Group (UK)	Security equipment	n/a	Nominal sum involved
Kotobuki Corp (Japan)	Audience Systems (UK)	Venue seating	n/a	Establishing Europe base
Air France (France)/ Havas (France)/TUI (Germany)	Jet Tours (jv)	Travel	n/a	Creating large European player

Dana moves back into the black

Dana Exploration, the Dublin-based mineral exploration company, reported pre-tax profits of I£1.27m (£1.4m) in the six months ended July 31 against losses of I£82,664.

The result was after an exceptional I£1.29m credit, being the net effect of the compromise settlement agreed with the company's creditors in November 1992 whereby all Dana's liabilities were discharged for about I£100,000.

The retained deficit carried forward increased from I£534,358 to I£1.58m.

Proposals for a restructuring of the share capital will be put to shareholders at annual and extraordinary meetings on February 15.

AAH paying £11m for retail pharmacy growth

AAH HOLDINGS is expanding its retail pharmacy interests through the acquisition of Clark Care Group at a total cost of up to £11.3m.

Clark Care runs 30 pharmacies in Kent and East Sussex. For the year ended January 31 1992, the latest available period, it made pre-tax profits of £210,000 and is expected to contribute not less than £1.2m in the year to March 31 1994 as a result of operational synergies and reduced overheads.

Net assets at end January 1992 were £756,000, including goodwill.

Initial consideration is £7.5m, of which £4.8m is satisfied by the issue of 842,106 AAH shares; a further 549,658 shares have been placed on behalf of the vendors with institutions to finance the balance.

Additionally, 636,364 shares have been placed to facilitate the repayment of all borrowings of Clark Care at completion, which amounted to some £3.5m. Dependent on the final valuation of net assets, an additional maximum £300,000 will be paid post completion.

AAH said with retail pharmacy margins currently under pressure, volume related purchasing opportunities have increased in importance. Clark Care will expand group retail turnover by some 12 per cent.

Wintrust sees brighter outlook

According to Mr Richard Szpiro, managing director of Wintrust, the merchant banker, the financial outlook has ceased to deteriorate.

"With a fair wind this should be reflected in our future figures."

He made his comments while reporting lower pre-tax profits for the six months to September 30 of £1.01m (£1.54m).

He added that the balance sheet had strengthened and the loans and advances to capital ratio had fallen from 2.5:1 to 1.5:1.

Earnings per share were 5.53p (10p) and the interim dividend is unchanged at 3p.

NEWS DIGEST

Greyfriars nav dips on repayment

SHARES IN Greyfriars Investment dropped 2p to 15p on Friday after it announced that an early repayment of a loan note had reduced the net asset value by 5.4p.

Investment trusts borrow money – "gear up" is the jargon – when they believe that the return on equities will outweigh those on fixed interest. However, the loan note was deep discounted and its repayment entitlement is growing at 13 per cent a year.

The terms of the loan notes include a covenant; although that has not been breached, the company repaid half the loan note in August last year, and has decided it was prudent to pay off the other half now.

Siam Fund

Participating shares of Siam Fund (Cayman) were suspended pending cancellation of listing on February 4.

It has become an open ended investment company and will be listed in Ireland.

Unilever review

Unilever, the Anglo-Dutch food and consumer products group, is expected to announce this morning the outcome of an extensive review of its head office operations in London and Rotterdam.

The review commenced last June and followed the appointment of Mr Michael Perry to co-chairman of the group and the rationalisation of Unilever's European food business ahead of the single market.

Unilever employs 1,800 people in its joint head offices in London and Rotterdam, split as to 1,200-600. A small number of jobs are expected to be lost, with other responsibilities shifted away from London.

Allied-Lyons

Allied-Lyons' US offshoot, DCA Food Industries, has sold the consumer products activities of its Golden Dipt Company to McCormick & Company, a Maryland-based producer of spices and seasonings.

The sale is a further step in Allied-Lyons' strategy of concentrating on core businesses.

Frost 2-for-1 scrip

Shares in Frost Group rose 26p to 570p on Friday when it announced a 2-for-1 scrip issue to improve marketability.

Frost runs the largest independent chain of petrol filling stations in the UK. Mr James Frost, chairman, said the price of the shares was comparatively high in relation to many UK listed companies.

Stonehill furniture

The future of Stonehill Holdings' furniture division is in the balance because of the weak market.

The company said its future would be reviewed at the year end but significant activity was unlikely in the foreseeable future. It was not prepared to risk additional working capital.

Stonehill also reported a reduction in group pre-tax losses from £290,000 to £170,000 in the six months to September 30 helped by an improvement in its property activities. Turnover was again £1.09m. Losses per share were 0.91p (1.58p).

The shares have been suspended since January 5.

Sheafbank better

For the 15 months ended June 30 1992 Sheafbank Property Trust, the property investor and financial services group, incurred a pre-tax loss of £333,656. That compared with a deficit of £992,778 for the year to end-March 1991.

Exceptional charges for the 15 months were £83,637 (£950,000) and net interest accounted for £469,550 (£14,070 received). Share of associates' profits was £101,592 (£14,948).

Losses per share amounted to 1.58p (6.19p) or 0.97p (5.09p) fully diluted. A proposed final dividend of 0.1p makes a same-again 0.2p total.

Provision hits Ensor

Ensor Holdings, the USM-quoted group with interest in building materials and motor vehicles, incurred a loss of £2.1m pre-tax for the half year ended September 30.

That was well up on the adjusted deficit of £294,000 recorded for the same period of the previous year, but significantly down on the £2.74m loss reported for the second half of the 1991-92 year.

The first half loss was struck after taking account of an exceptional provision of £1.57m which related to the disposal of discontinued activities. Interest charges rose to £510,000 (£447,000). Turnover of continuing activities totalled £11.86m (£12.16m). Losses per share emerged at 18.1p (1.4p).

Comparative figures have been adjusted to accord with new accounting policies.

Readicut sale

Readicut International has sold Russells Rubber for £6.75m, which will be applied in reducing net borrowings.

Russells makes extruded and moulded rubber products for the car industry, but these no longer fall within its future strategic plans.

Vickers deal

Vickers and Brown & Root are ending a joint venture agreement as, having assisted the venture to become established in the UK, they agree that there is now little logic in one of them retaining a minority holding.

Brown & Root will pay £5.75m to acquire Vickers' 50 per cent interest in Brown & Root Vickers and its 51 per cent stake in Brown & Root Vickers Technology.

Both companies were formed in 1987 through a merger of Vickers Design and Projects and Brown & Root's Project Engineering Management Division.

Torras appeals against court ruling

By Tom Burns in Madrid

LAWYERS acting for Grupo Torras, the Kuwait Investment Office's troubled Spanish holding arm, have filed an appeal against a ruling by Madrid's senior monetary court that had rejected allegations of serious fraud brought by Torras against seven of its former senior executives.

The move, filed minutes before midnight on Friday, when the deadline for an appeal expired, sets the scene for continued litigation that threatens the KIO's orderly withdrawal from its once pace-setting Spanish investments.

The legal battle centres on an attempt by Mr Ali-Rashid al-Bader, chairman of the KIO since February last year, and by his close friend Mr Mahmoud al-Nouri, whom he appointed to run Torras three months later, to blame former KIO and Torras executives for multi-million dollar losses incurred by the KIO in Spain.

Last week the Madrid court rejected a criminal lawsuit brought by Torras against Sheikh Fahad al-Sabah, the KIO's former chairman and a cousin of the Emir of Kuwait, Mr Fouad Jaffar, the KIO's former general manager, Mr Javier de la Rosa, Torras' former deputy chairman, and four other former senior Torras managers.

The seven were accused of causing "fraudulent losses for the company well in excess of Pta100bn ($89m)". Rejecting the suit, the judge ruled that it did not contain "a single indication" that fiscal crimes had been committed by those it accused. The lawsuit had alleged irregularities including fraud, tax evasion, falsifying public deeds and price manipulation.

The appeal is likely to be argued through the judicial hierarchy in Spain and could be pursued, if necessary, in London, the KIO's headquarters. "The plaintiffs are very serious about this and they won't give up," said a Madrid lawyer close to the KIO.

The renewed litigation could, however, affect developments aimed at loosening the links that bind Torras, which was put into receivership by its new management in December, with top Spanish companies. Torras' new management has said it intended to extricate itself from corporate responsibilities in Spain.

Torras is negotiating the restoration of discount lines that would assure its wholly-owned subsidiary Torraspapel, Spain's largest paper producer, of short-term funding.

It is also seeking boardroom approval for the sale of its 38 per cent stake in Ebro, Spain's leading food company, and is attempting to write off its considerable investment in Ercros, the leading domestic chemical conglomerate which is 36 per cent Torras owned and was put into receivership last July.

Paribas in black but makes heavy provisions

By Alice Rawsthorn in Paris

PARIBAS, the leading French investment bank, returned to the black last year with a net profit of FFr900m ($167.9m), but was forced to make heavy provisions because of the problems of the property market and small businesses in France.

The group, which fell into a loss in 1991 for the first time in its history, managed to maintain operating income at FFr9bn during the year thanks to its cost-cutting programme.

The board decided to hold the dividend at FFr12 a share.

Paribas' return to profit was clouded by last autumn's scandal over the discovery of off-balance sheet losses at Ciments Français, the French cement company in which it is a sizeable shareholder.

The bank's share of Ciments Français' losses amounted to FFr400m in the first half of 1992.

It is awaiting the publication of the cement company's results to discover the full extent of its second-half losses.

In the meantime, Paribas has had to pay back FFr500m of the money received last spring from the sale of a controlling stake in Ciments Français to Italcementi of Italy.

This has left Paribas with a FFr500m profit on the deal, without taking into account its share of Ciments Français' 1992 losses.

In spite of the Ciments Français debacle, Paribas made an overall profit of FFr2.8bn on disposals last year which included the sale of stakes in Matra Communication and Lapeyre.

This profit helped to mitigate the effect of another year of hefty write-downs.

Paribas was forced to make provisions of FFr7.8bn in 1992, slightly lower than FFr9.5bn in 1991, mainly on its Compagnie Bancaire and Crédit du Nord banking subsidiaries.

It was also affected by the impact of the continuing UK recession.

Philips suspends plans to produce HDTV televisions

By Gary Mead, Marketing Correspondent

PHILIPS, the Dutch electronics group, is suspending plans to produce for market televisions using High-Definition Television technology (HDTV).

The move is the result of the UK government's decision in December last year to block a European Community Ecu500m ($412m) funding programme to develop and market HDTV.

Ms Angelique Hoogakker, a company spokeswoman, said yesterday that because there were no programmes on the horizon for the European HDTV standard HD-Mac, the company felt it was pointless to produce HDTV-Mac televisions.

"We will complete the research and development of the HDTV-Mac set but we will not start to produce them until there is a firm indication that there will be programmes.

"The whole thing is dependent on money becoming available for the action plan to back production of such programmes," said Ms Hoogakker.

Mr Henk Bodt, head of Philips' consumer electronics division, said that to push ahead with HDTV-Mac production would be like introducing a car on to the market when there was no petrol available.

Philips said yesterday that once it had completed HDTV research, it would focus on wide-screen television technology.

Full development of HDTV-Mac was to form one of three strands of the Dutch company's drive to capture increased share in consumer electronics, the others being CD-I compact discs and DCC audio tape. Philips has not paid a dividend for two years, and has made some 50,000 redundancies since 1990.

Fujitsu to cut prices of desktop PCs

By Michiyo Nakamoto

FUJITSU, Japan's largest computer maker, is to sell desktop PCs at substantially reduced prices, in a move that promises to fan the fierce price competition in the Japanese PC market.

Fujitsu's move follows an announcement earlier this month by NEC, Japan's number one PC manufacturer with 53 per cent share of the market, that it will introduce a series of desktop PCs priced substantially lower than previous models.

Fujitsu declined to reveal the price range for its new low-cost series but said they were likely to be comparable to those of NEC's lower-priced series.

Japanese computer manufacturers have long been able to maintain high prices due to their strong hold over the domestic market. But recently they have been forced by the introduction of cut-price US machines to review their pricing strategies. Compaq, for example, announced a machine at about half the price of comparable Japanese machines.

The Fujitsu move leaves Toshiba alone among the top five manufacturers in Japan to maintain its traditionally high pricing strategy.

Nestlé nears deal on Perrier units

By Guy de Jonquières, Consumer Industries Editor

NESTLE, the Swiss food group, says it is in the final stage of negotiations to sell to an unnamed buyer parts of Perrier, the French mineral water company which it acquired last year after a complex takeover battle.

Nestlé said in Paris last week that only preliminary talks were under way. However, a spokesman at the group's headquarters in Switzerland insisted the earlier statement was incorrect.

Any deal must be approved by European Commission competition authorities, which last year ordered Nestlé to dispose of a number of Perrier assets in return for clearing the takeover.

The assets involve springs with a capacity of 3bn litres, including the Vichy, Saint Yorre and Pierval brands. Brussels has stipulated they be sold to a single buyer, though Nestlé would not say whether it was dealing with more than one bidder.

The Commission has also set an undisclosed deadline for the disposal. But Nestlé said the deadline was being treated in a flexible manner and could be extended if necessary. Until the assets are sold, Nestlé may not put into effect an agreement to sell Volvic, one of Perrier's biggest brands, to BSN, France's largest food company.

Bidermann buys Pinault chain

By Alice Rawsthorn

BIDERMANN, the French textile group, is buying the Armand Thiery chain of clothing stores from Pinault-Printemps, the heavily-indebted retail concern headed by Mr François Pinault.

The deal, for an undisclosed sum, is part of the disposal programme started by Mr Pinault after his recent takeover of the Au Printemps department store chain. The takeover transformed Pinault-Printemps into one of France's leading retail groups but has left the company burdened by heavy debt.

Armand Thiery is an established group of clothing stores, which includes six shops under the Brummel umbrella, as well as its signature 53-strong chain.

The company, which Pinault-Printemps acquired in late 1991 as part of the Printemps deal, made sales of FFr658m ($122.76m) last year.

Bidermann has extensive interests in the French clothing industry, including a minority 12.4 per cent stake in Armand Thiery.

Net profits at Banesto tumble by 27%

By Tom Burns

BANESTO, the third-ranked Spanish banking group in terms of total assets, has reported a 27 per cent fall in net profits during 1992 because of sharply lower extraordinary revenue from disposals.

Provisional results, which excluded Banesto's industrial holding, Corporacion Industrial, show post tax income last year stood at Pta45.6bn ($398.8m), against Pta62.6 in 1991.

The bank had boosted its 1991 balance sheet with extraordinary items totalling Pta34bn and these were down by 76 per cent to Pta8bn last year.

The 1992 gross operating profit rose by 17 per cent to Pta119.6bn and Pta87.3bn was put aside for provisions, 18.8 per cent more than in 1991.

PolyGram in UK video purchase

By Michael Skapinker, Leisure Industries Correspondent

POLYGRAM, the music company 80 per cent owned by Philips of the Netherlands, has bought the UK operations of Vision Video from General Electric Capital of the US.

The acquisition of the company, which sells videos to retailers, makes PolyGram the UK's leading supplier of videos for the "sell-through" market, ahead of the BBC.

Vision Video was originally part of Mr Richard Branson's Virgin Group, but has had several owners since.

PolyGram is believed to be paying Fl 10m ($5.5m) for the company, mostly through the assumption of debt.

According to the Gallup market research and polling organisation, PolyGram last year took 7.7 per cent of the UK market in "sell-through" videos in value terms. "Sell-through" involves customers buying, rather than renting films. Vision Video had a 4.9 per cent market share. The combined total would put the enlarged group ahead of the BBC, which was the 1992 market leader with a 10.5 per cent share.

Cominco deficit widens to C$95m in final period

By Bernard Simon in Toronto

COMINCO, the Canadian metals and fertiliser group, suffered a heavy fourth-quarter loss as a result of soft metal prices and the decision to write off a third of the cost of its troubled lead smelter at Trail, British Columbia.

The loss, including the C$50m (US$39.2m) smelter write-down, was C$95.2m, or C$1.21 a share, against a C$16.3m loss, or 21 cents, a year earlier. Revenues rose to C$364.6m from C$344m.

The loss for the year narrowed to C$30.2m from C$41.3m, thanks largely to a gain earlier in the year from the sale of a 46 per cent interest in Aberfoyle, the Australian mining group.

Cominco's mining and metals business swung to a fourth-quarter operating loss of C$40.5m from a C$5.5m profit a year earlier, due largely to an after-tax charge of C$30m to reflect the impact of lower metal prices on zinc and ferro-nickel inventories.

● Canadian Pacific Forest Products, the newsprint producer, suffered a net loss of C$59.5m or C$1.13 a share in the fourth quarter, compared with a loss of C$96m or C$2.19 a year earlier, writes Robert Gibbens in Montreal.

The company, controlled by Canadian Pacific, had sales of C$467m, against C$481m. The fall was mainly due to a mill shutdown and asset sales.

For all 1992 the loss was C$248m or C$4.82 a share, against a deficit of C$571m or C$13 in 1991.

Former chief of Phar-Mor faces fraud charges

MR Michael Monus, the former president of Phar-Mor, which filed for Chapter 11 bankruptcy protection last year, has been indicted by a federal grand jury on 129 counts in connection with the alleged fraud and embezzlement at the deep-discount drug store chain, writes Nikki Tait in New York. Two other former employees – Mr Patrick Finn, who was chief financial officer and Mr Jeffrey Walley, who was vice-president of finance – were also charged, although on a smaller number of counts.

The indictment against Mr Monus alleges he conspired with Mr Finn and others to defraud Phar-Mor, Pittsburgh National Bank, National Westminster Bank and Westinghouse Credit Corporation.

UK GILTS

Yields fall as investors gamble on rate cuts

YIELDS fell as investors gambled that the UK government would cut interest rates over the next few weeks in a further effort to strengthen signs of economic recovery.

With the Treasury last week reducing base rates from 7 per cent to 6 per cent in a surprise move, all the signs are that government *ministers think* credit policy is still too tight to support a full upturn.

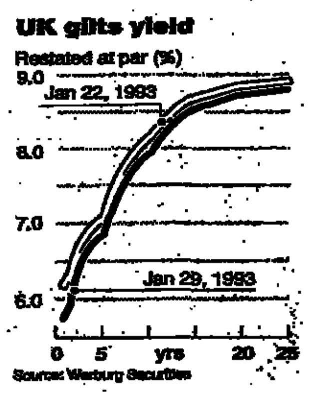
The stage seems to be set for a moderate tightening in fiscal policy in the March 16 Budget, accompanied around that time by a further cut in interest rates to 5 per cent *or even less.*

In spite of the relative success of last week's gilt auction, in which the Bank of England sold £2.5bn worth of medium-dated bonds, concern about the large volume of funding due over the next two years continued to exert a dampening influence on price rises.

During the week, most classes of gilts showed a price rise of up to 1 point, with the 8.75 per cent Treasury bond due in 1997 being quoted on Friday night at 104⁴⁄₃₂. Its yield fell during the week by about 25 basis points, slightly more than that seen for gilts at the longer end of the yield curve.

The chief cause for the decline was the cut in short-term interest rates on Tuesday, which took these to their lowest level for more than 17 years. The move came after a series of gloomy statistics about the economy since Christmas, and on the back of warnings that, unless growth *picks up soon, Britain will face* extremely high government deficits stretching into the late 1990s.

Mr Norman Lamont, the chancellor, seems to have taken to heart theories that without reasonably rapid *growth over the next two years* the public sector borrowing requirement will be stuck at around £60bn or more in the three financial years from 1993-94.



Source: Warburg Securities

The plan for the Treasury could now be to tackle the deficit with tax rises to be phased in during 1993-94 and the following year. At the same time, *it could attempt to boost over*all economic demand by a looser monetary policy, while not losing too much sleep over any falls in the exchange rate.

Backing for this view came with the lack of any apparent unease at the Treasury during last week as, prompted by the base rate cut, sterling fell by nearly 5 pfennigs against the D-Mark to a London close on Friday at DM2.3925. At the end of the week the pound also tumbled through the $1.50 barrier against the dollar, to a six-year low.

Meanwhile, the Bank said it was satisfied with the outcome of Wednesday's auction of 8.5 per cent Treasury stock due 2007. On the same day it issued *a further £550m of gilts which* by the end of the week was virtually sold out. Demand was widespread, with overseas investors well represented, even though the bonds were over-subscribed by a relatively low factor of only 1.18.

One *reason for the small* "cover ratio" was probably that many gilt marketmakers bought bonds the day before the auction as prices rose in the aftermath of the cut in interest rates. That sudden burst reduced the volume of bonds which they needed to buy at the auction to fulfil demand from customers such as pension funds.

News that the M0 measure of *money supply* rose during January by a year-on-year seasonally-adjusted 4.2 per cent – above its Treasury target range – came as a jolt to those in the gilt market who surmise that inflationary pressures are relatively low, a factor strengthening the case for further interest *rate cuts.*

Mr Ian Blance, an economist at Nikko Securities, thinks yields will be forced up during the rest of 1993 to accommodate the funding pressures.

"The government will need the support of a great many *investors*, particularly those from outside Britain, if it is to sell the desired volume of gilts," he says. "The only way this can happen is for the yield curve to steepen, with the general rise in yields especially marked at the long end."

With yields for 10-year bonds likely to see a rise of about 1 percentage point by the end of 1993, Mr Blance reckons the yield difference between 10-year gilts and the equivalent German government bonds will climb from the relatively low 116 *basis points now to* around 200 basis points by the end of December.

Peter Marsh

SPANISH GOVERNMENT BONDS

Caution the watchword as orthodoxy prevails

THE Spanish government bond market has performed well over the last month, recovering from last autumn's currency turbulence.

But it seems likely the market may be close to the top of the rally, and already any monetary easing during this month has been discounted.

It was clear midway through January that a change of perception had taken place on Spain.

The bond market gained strength from a stable peseta within an improved European exchange rate mechanism, and rallied strongly as interbank rates eased.

The Treasury saw its chance and took it. Altogether it is *thought to have raised* Pta2,900bn ($25.36bn) during January – or Pta380bn more than required.

The reversal in the market trend set in after the peseta's devaluation in late November, which marked the currency's *second realignment within the* ERM in just over two months.

Foreign investors started to return to the Spanish market, and by the end of December the accumulated Spanish debt held by non-residents rose to Pta1,870bn from a low of Pta1,600bn in *mid-November.*

The recent rally in the debt market enabled the Treasury to cut the marginal yield on one-year Treasury bills by around 70 basis points to 13.041 per cent at last Wednesday's tender.

More importantly, it awarded Pta803bn when the redemptions due only totalled some Pta476bn.

The wobble came immediately afterwards, with a general brake on lower interest rate expectations throughout Europe and amid renewed tensions in the ERM. The peseta lost 0.7 per cent of its value in *a single day.*

The Bank of Spain reacted promptly, raising its daily intervention rate by 10 basis points to 13.60 per cent and injecting only Pta100bn into the interbank market.

The net financing that took place during January, on the back of the considerable volume awarded in the course of the month, suggested that the Treasury was already seeking to implement a set of new rules which, with effect from January 1994, will bar it from *borrowing from the Bank of Spain.*

The Bank of Spain's rapid response to the end of month wobble suggested that the Bank, which under the terms of the new guidelines will enjoy a Bundesbank-style autonomy next year, was prepared without hesitation to defend the peseta as soon as it came under pressure.

The Bank of Spain cannot be faulted on caution. Ten days ago it announced, with considerable justification, that the peseta had put the troubles of the currency upheavals behind it and that normalisation was on line. And yet it brought the benchmark *intervention rate* down by only a half-point, from 13.75 per cent to 13.25 per cent.

Independently of any future tensions within the ERM, it is this strict sense of domestic orthodoxy that has prompted *the market to discount further* easing.

The authorities are still a long way from being satisfied that spending is under control and that wage settlements are indeed moderating.

Furthermore, there is still probably at least Pta1,000bn of debt that will require refinancing before the first quarter is out.

The fixed-income research department of Madrid brokers FG is forecasting a conservative policy in forthcoming bond auctions. Large volumes are likely to be awarded with placing rates standing a little higher than what is being offered in the secondary markets. The market should be expecting yields of 12.30 per cent for three-year securities, 12.05 per cent on five-year notes and 11.75 for 10-year bonds.

Tom Burns

US MONEY AND CREDIT

Deficit hopes spur rally in Treasuries

WASHINGTON insiders have been quick to criticise the two-week old Clinton administration for policy indecisions or U-turns. Yet opinion polls show the mood in the *country* at large is much more forgiving, and for now that seems to include the bond market.

The Treasury market continued to rally last week, with the yield on the benchmark 30-year issue ending on Friday night at *7.19 per cent, 10 basis points* down on the week and the lowest in six and a half years, while the five-year note dropped 20 basis points to 5.54 per cent.

Yet this happened just as the latest economic data showed growth accelerating in the fourth quarter of last year, to an annual rate of 3.8 per cent, the fastest in four years, and as Clinton officials indicated that an early priority would be a fiscal stimulus of around $20bn.

A few months ago, such a combination of figures might well have sent bond yields soaring, on market fears that a Democratic White House was preparing to let the inflationary genie out of the bottle.

But for now Wall Street seems happy to buy an altogether sunnier story, which tells of long bond yields eventually *dipping below the 7 per* cent yield barrier, in spite of some inevitable setbacks along the way.

The optimism begins with an examination of the latest statistics on gross domestic product growth, which are solid, but *still* modest by the *standards* of past recoveries from recession.

The labour market remains weak, as demonstrated last week by news of fresh job cuts at retailer Sears, Roebuck and the aerospace industry's Boeing and Pratt & Whitney.

The economy, say the bond market optimists, is sufficiently strong both to make recovery self-sustaining and to curb any major pump-priming by the Clinton administration, but not so strong that inflation is likely to re-appear as a problem in the near future. No tightening of monetary policy by the Federal Reserve is in prospect.

The President's $20bn stimulus package, runs this argument, is sufficiently modest that it will have relatively little real impact on an economy the size of the US, *while allowing Mr Clinton to* fulfil his election campaign promise to "get America moving again".

His political credibility established, Mr Clinton can then get down to the much more important question of cutting the *federal budget deficit.*

Much of the bond market's optimism stems from signs that the new administration is seriously addressing the deficit question.

Mr Lloyd Bentsen, the new Treasury secretary, helped spark last week's rally with suggestions that the administration was considering both energy and broad-based consumption taxes to help reduce the deficit.

Mr Alan Greenspan, the Fed chairman, also helped, when he endorsed Mr Clinton's pledge to cut $145bn from the projected deficit for 1997 as a credible deficit-reduction target.

The long end of the market has also been helped by signs that the new administration is seriously considering an idea previously floated by the Bush administration: cutting the federal *government's funding* costs by reducing the issuance of 30-year bonds and selling more shorter-dated, cheaper paper.

There has even been market speculation – which does not appear to be well founded – *that long bond issuance could* be cut back sharply as early as this month's refunding.

But for all this optimism, the bond market's honeymoon with Mr Clinton will remain volatile, subject to the administration's each passing policy thought until Mr Clinton spells out just what he plans to do in a February 17 speech to Congress.

It could yet all end in tears. The new President has shown himself adept at making promises, but his political backbone remains in question.

For now, Wall Street is giving him the benefit of the doubt.

Martin Dickson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 6 3/8 96	200	[illegible]	[illegible]	5.42
ABBEY NATIONAL 9 3/4 94	200	[illegible]		4.37
ABN 9 1/8 94	200	[illegible]	[illegible]	4.77
AETNA LIFE & CAS 7 3/4 16	200	[illegible]	[illegible]	7.51
ALBERTA PROVINCE 8 5/8 96	750	[illegible]	[illegible]	5.65
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	[illegible]	5.34
AMERICAN EXPRESS 0 00	450	[illegible]	[illegible]	7.86
AMERICAN GENERAL 9 3/4 95	100	[illegible]	[illegible]	5.48
AMERICAN INTL 0 04	750	[illegible]	[illegible]	7.64
AMOCO CANADA 7 1/4 02	250	[illegible]	[illegible]	6.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PROCTER & GAMBLE 9 1/2 98	200	[illegible]	[illegible]	6.48
PRUDENTIAL FIN 8 1/4 01	300	[illegible]	[illegible]	7.59
PRUDENTIAL RLTY SECS 0 99	365.216	[illegible]	[illegible]	7.02
QUEBEC HYDRO 9 01	300	[illegible]	+1	7.36
QUEBEC HYDRO 9 3/4 98	150	[illegible]	[illegible]	6.86
QUEBEC PROV 9 98	200	[illegible]	[illegible]	6.73
QUEENSLAND GOVT 10 1/4 95	100	[illegible]	[illegible]	5.57
RALSTON PURINA 11 3/4 95	150	[illegible]	[illegible]	6.05
REED PUBLISHING 9 5/8 97	150	[illegible]	[illegible]	6.51
SAINSBURY 9 1/8 96	150	[illegible]	[illegible]	6.10
SAS 10 99	200	[illegible]	+1	8.01
SAS 10 1/8 95	150	[illegible]	[illegible]	6.43
SBAB 9 1/2 95	500	[illegible]	[illegible]	5.39
SBC FINANCE 7 3/4 96	300	[illegible]	[illegible]	5.73
SEAGRAM CO 8 1/2 96	100	[illegible]		7.84

	Issued	Bid price	Chg on week	Yield
SEARS EURO TRUST 8 3/4 96	750	[illegible]	[illegible]	6.00
SEARS O/S FIN ZERO 98	500	[illegible]	[illegible]	7.88
SEARS ROEBUCK EURO 9 3/4 95	500	108	[illegible]	6.06
SKANDINAVISKA ENSK 7 5/8 97	500	[illegible]	[illegible]	7.02
SNCF 7 1/4 98	175	[illegible]		3.98
SNCF 9 1/2 96	150	[illegible]	[illegible]	6.30
SPAIN 6 1/2 99	1500	[illegible]	[illegible]	6.57
STATE BK NSW 8 1/2 96	200	[illegible]	[illegible]	5.99
STATOIL 7 5/8 94	200	[illegible]	[illegible]	4.75
SWEDEN 5 1/2 95	2000	[illegible]	[illegible]	5.20
SWEDEN 9 1/4 98	350	[illegible]	[illegible]	6.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE FINANCE 7 1/2 95	1000	[illegible]	[illegible]	6.67
ECSC 8 5/8 96	700	[illegible]		7.17
EIB 7 1/2 99	400	[illegible]	[illegible]	6.77
FINLAND 7 1/2 00	3000	[illegible]		7.40
GENERAL ELECTRIC 8 3/4 95	300	[illegible]	[illegible]	7.05
INTER AMER DEV 9 00	300	[illegible]	[illegible]	6.91
IRELAND 7 3/4 02	500	[illegible]		7.32
KFW INTL FINANCE 7 1/4 97	1500	[illegible]		6.93
SWEDEN 8 97	2500	[illegible]	[illegible]	7.13
TOKYO ELEC POWER 7 5/8 02	1000	[illegible]		7.20
TURKEY 10 3/4 96	500	[illegible]	[illegible]	8.70
UNITED KINGDOM 7 1/8 97	5000	[illegible]		6.99
VOLKSWAGEN COM 8 5/8 97	400	[illegible]	[illegible]	7.40
WORLD BANK 0 15	2000	23		6.63
WORLD BANK 5 3/4 96	300	[illegible]	[illegible]	6.61
WORLD BANK 8 3/4 00	1250	[illegible]	[illegible]	6.83

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	[illegible]	[illegible]	5.77
COUNCIL EUROPE 4 3/4 98	250	[illegible]	[illegible]	5.27
EIB 6 3/4 04	300	107	[illegible]	5.90
ELEC DE FRANCE 7 1/4 06	100	[illegible]	[illegible]	6.27
FINLAND 7 1/4 99	300	[illegible]	[illegible]	6.03
GENERAL MOTORS 7 1/2 95	100	102	[illegible]	6.47
HYUNDAI MOTOR FIN 8 1/2 97	100	106	[illegible]	6.92
ICELAND 7 5/8 00	100	[illegible]	[illegible]	6.29
JAPAN DEV BK 5 1/2 94	100	[illegible]		6.01
KOBE 6 3/8 01	240	104	[illegible]	5.74
NEW ZEALAND 4 7/8 99	200	[illegible]	[illegible]	5.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASAHI GLASS	25/06/98	[illegible]	[illegible]	30.68
CANON	24/05/95	[illegible]	[illegible]	16.79
HANKYU DEPT STORES	14/03/96	1		
HINO MOTORS	06/07/94			78.47
KOBE STEEL	12/06/96	1		86.65
MITSUBISHI EST	11/03/94			
MITSUI TOATSU CHEM	30/01/98	[illegible]	[illegible]	
MORINAGA	13/06/95	[illegible]	[illegible]	33.85
NICHIREI CORP	11/09/96	13	[illegible]	33.84
NIPPON COMSYS	31/01/95	[illegible]	[illegible]	
NISSHIN STEEL	18/04/96	[illegible]		
ROYAL HOTEL	14/03/95	[illegible]		
SMC	25/07/95	[illegible]	[illegible]	
TAKASHIMAYA	02/07/96	[illegible]	[illegible]	72.64
TOYO SASH	05/08/97	[illegible]	[illegible]	
YAMANOUCHI PHARM	01/03/94	[illegible]	[illegible]	17.54

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on January 29

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Ecu activity could spark primary sector revival

THE Ecu bond market is staging a comeback. The return of two European governments to the Ecu market, announced last week, boosted hopes that the recent recovery in secondary market prices will be followed by a revival in primary market activity.

At its first auction of Ecu bonds since Denmark's rejection of the Maastricht treaty sent the market into a downward spin last June, the French government last week sold Ecu710m ($585.5m) of 10-year notes, exceeding the indicated size of the transaction. Meanwhile, the UK, which was forced to cancel its last Ecu Treasury note auction scheduled for October, will issue Ecu500m of three-year notes on Tuesday.

Other prestigious borrowers could soon return to the market.

The European Investment Bank, which directly on-lends the funds it raises in the capital markets, had noted a decline in demand for Ecu funding from its borrowers, but "clients are starting to ask for Ecu again," according to Mr Philippe Marchat, director of finance and treasury at the EIB. Consequently, the bank is likely to return to the Ecu market in the next few months.

In addition, the European Community is planning to fund part of its Ecu8bn balance-of-payments loan to Italy in the Ecu bond market, and Belgium is considering reviving plans for issuing an Ecu-denominated programme.

But the Ecu bond market, which once had no trouble attracting top quality sovereign and supranational borrowers, has lost some of its charms. It has made good progress towards recovery, but is still in a fragile condition and would not be able to absorb the very large issues which can now be placed in the D-Mark or dollar markets.

Further, for many borrowers, funding levels no longer appear attractive. For example, France, one of the earliest sponsors of the market, is committed to a target of raising 15 per cent of its funding in the Ecu market. But the Ecu market is no longer a cheaper source of funding than the French franc government bond market. The new French government Ecu OATs launched last week yield 8.16 per cent, nearly a quarter of a point more than French franc government bonds.

For other countries, such as Italy and Spain, the Ecu still offers cheaper funding than domestic markets. But they can also raise cheaper funds, and in larger size, in the D-Mark sector.

Nevertheless, the partial revival of activity in the primary market, which had ground to a virtual standstill, should help improve liquidity in the secondary market.

Secondary market prices have already improved substantially. At the end of November, Ecu bonds yielded 50 basis points more than their theoretical value (based on bond yields in component currencies). That spread has tightened consistently since December, and is now about five basis points. Dealers also note increased volume in the secondary market, as retail and institutional investors return.

"The investment community is starting to realise that there may well be a happy ending to Maastricht after all," said Mr Jim Pelgrift, executive director of Morgan Stanley International. In addition, there has been a realisation that the sell-off had been too severe.

However, dealers are loath to predict when, or if, Ecu bond yields will fall through theoretical yields. This time last year, Ecu bonds yielded 40 basis points below their theoretical value. But investors now are likely to require strong evidence that European monetary union, with the Ecu as the single currency, is going to happen. Ratification of the Maastricht treaty by Denmark and the UK would be an important confidence booster.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sekisui House(b)♦	200	Feb.1997	4	2.5	100	Yamaichi Int.(Europe)	-
ANZ Banking Group(d)‡	125	Feb.1996	3	(d)	100	UBS P&D Securities	-
GECC(e)‡	100	Feb.2003	10	(e)	99.75	Kidder, Peabody Int.	-
Province of Alberta	500	Feb.2003	10	7	99.56	JP Morgan Securities	7.063
Empresas ICA(g)	225	Feb.1998	5	9.75	99.5	Lehman Brothers Int.	9.879
Maeda Corp.(h)♦	200	Feb.1997	4	2.5	100	Daiwa Europe	-
Credito Italiano(London)(i)‡	150	Feb.2000	7	(i)	100	Kidder, Peabody Int.	-
SXL Corp.(j)♦	80	Feb.1997	4	2.5	100	Yamaichi Int.(Europe)	-
Eagle 5(k)‡	61.27	Feb.1998	5	(k)	100	Daiwa Europe	-
Republic of Finland(g,p)	1bn	Nov.1997	4.81	6.75	101.573	Nomura/JPM/M.Lynch	6.362
BLfA(q)	250	Feb.1998	5	6	101.315	Swiss Bank Corp.	5.690
Yamatake-Honeywell(r)♦	100	Feb.1997	5.01	2.5	100	Yamaichi Int.(Europe)	-
St George Bank(s)‡	75	Feb.2000	7	(s)	99.8	Bankers Trust Intl.	-
Petrolera Argentina(g,t)	45	Feb.1998	3.85	11	95	Oppenheimer Int.	-
GECC	250	Mar.1999	6	6.125	101.05	UBS P&D Securities	5.912
Hylsa(g)	175	Feb.1998	5	11	99.4	JP Morgan Securities	11.160
Pharmaceutical Mktg.(g,v)§	60	Feb.2003	10	6.25	100	Lehman Brothers Int.	-
YEN							
Heller Financial(u)‡	25bn	Jan.1998	5	(u)	100.325	G.Sachs Int./Fuji Int.	-
BFCE(w)	20bn	Jun.1996	3.27	4.2	100	Nikko Europe	4.194
D-MARKS							
Hokuetsu Paper Mills(a)♦	130	Feb.1997	4	4	102.5	Bayer.Vereinsbank	-
Crédit Foncier de France(l)	500	Feb.2003	10	7.25	102.275	Deutsche Bank	6.927
GECC(m)‡	200	Feb.2003	10	(m)	101.6	IBJ(Deutschland)	-
Deutsche Finance(Neth.)(n)‡	200	Feb.2003	10	(n)	101.3	Deutsche Bank	-
Iberdrola International	300	Mar.2000	7	7.625	101.625	Commerzbank	7.320
CCCI(x)	100	Feb.2000	7	7.25	101.875	BHF-Bank	6.903
Uneed Daiei Co.(y)‡★	80	Feb.1997	4	(y)	100	LTCB(Deutschland)	-
Eidai Kako Co.(y)‡★	10	Feb.1998	5	(y)	100	Daiwa Bank	-
Deutsche Finance(Neth.)(b1)	500	Feb.2003	9.98	7.5	104.5	Deutsche Bank	6.857
Raika Co.★	35	Feb.1998	5	7.25	101.25	IBJ(Deutschland)	6.946
FRENCH FRANCS							
Crdt.Commercial de France	500	Nov.2003	10.75	zero	41.78	CCF	8.460
STERLING							
Royal Bank of Scotland	150	Mar.2013	20	10.5	99.887	UBS P&D Securities	10.514
Bayerische Landesbank	100	Feb.2003	10	8.5	100.71	SG Warburg Securities	8.392
Leeds Permanent BS(z)‡	100	Feb.2003	10	(z)	100	Salomon Brothers Int.	-
Helaba Finance	*100*	*Nov.1998*	*5*	*7.125*	*100.2*	*BZW*	*7.072*
Bradford & Bingley BS(c1)‡	100	Feb.2003	10	(c1)	100	NatWest Cap.Mkts.	-
CANADIAN DOLLARS							
KfW International Finance	300	Feb.1998	5	7.75	100.875	Goldman Sachs Int.	7.534
EBRD	250	Feb.2003	10	8.375	99.4	IBJ International	8.466
Bayerische Vereinsbank	150	Mar.1998	5	8	101.695	Morgan Stanley Int.	7.580
Kingdom of Denmark	300	Feb.1996	3	7.5	100.9875	Lehman Brothers Int.	7.123
Eurofima	*200*	*Feb.1998*	*5*	*7.75*	*101.215*	*Swiss Bank Corp.*	*7.450*
Crédit Foncier de France	200	Mar.2003	10	8.5	101.257	Merrill Lynch Int.	8.310
Municipality Metro.Toronto	125	Mar.2003	10	8.625	100	Wood Gundy	8.625
DSL Bank	100	Mar.1998	5	7.75	100.875	UBS P&D Securities	7.534
ITALIAN LIRA							
Swedish Export Credit	150bn	Feb.1998	5	12	101.7	Credito Italiano	11.534
GUILDERS							
CSFB Finance(d1)	100	Feb.2000	7	7.5	101.45	CSFB Nederland	7.229
PESETAS							
Nordic Investment Bank	10bn	Feb.2000	10	11.75	101.55	Banco Bilbao Vizcaya	11.417
SWEDISH KRONA							
Swedish Export Credit(e1)	500	Mar.1998	5	(e1)	101.3	SHB, London	-
DANISH KRONE							
Great Belt	350	Nov.1999	6.72	8.5	101.8	Unibank	8.129
SWISS FRANCS							
Sekisui House(c)♦★	200	Feb.1997	4	2	100	UBS	-
Kyokuto Boeki Kaisha(f)♦★	23	Feb.1997	4	1.875	100	Daiwa Secs.Bk.(Switz.)	-
Kantor Biomedical(g,o)§★	39	Mar.1997	4.28	3.75	100	Daiwa Secs.Bk.(Switz.)	-
Crédit Local de France	150	Mar.2003	10	5.25	101.5	Swiss Volksbank	5.065
Kyosei Rentemu(g,a1)§★	40	Jun.1997	4.36	3.75	100	Nomura Bank(Switz.)	-
Raika Corp.★	30	Feb.1998	5	6	100.75	Sanwa Bank(Schweiz.)	5.823
LUXEMBOURG FRANCS							
Republic of Finland	3bn	Mar.1998	5	7.5	102.5	Crédit Européen	6.892
Cregem International Bank	500	Feb.1997	4	7.5	102.3	Cregem Int.Bank	6.824
CERA Bank	400	Mar.2001	7.84	7.5	101.8	CERA Bank	7.191
Finnish Export Credit	1.5bn	May.1998	5.17	7.625	102.05	BIL	7.128
Girocredit Bank	750	Feb.2000	7	7.75	101.875	Banque Paribas Lux.	7.397
San Paolo, Turin	1bn	Mar.2000	7	7.625	102	BGL	7.251
Liv International Finance★	300	Mar.1998	5	7.625	102.35	Kredietbank Lux.	7.051

Final terms and non-callable unless stated. ★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Denom.: DM5000 + 5 wrts. Exercise price: Y785, a 2.5% premium. Exchange rate: 79.12Y/DM. b) Denom.: $10,000 + 2 wrts. Exercise price: Y968, a 2.5% premium. Exchange rate: 124.80Y/$. c) Denom.: SFr50,000 + 50 wrts. Exercise price: Y968, a 2.5% premium. Exchange rate: 86.49Y/SFr. d) Coupon pays 3-month Libor + 0.375%. e) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8.5%. f) Final terms fixed on 28/1/93. g) Semi-annual coupon. h) Final terms fixed on 2/2/93. i) Coupon pays 6-month Libor + 0.375%. Callable with 30 days notice at par on interest payment dates from Feb.1997. Putable on Feb.1997 interest payment date at par. j) Final terms fixed on 4/2/93. k) Coupon pays 6-month Libor + 0.6%. l) Issue launched on 13/1/93 was increased to DM2bn. m) 9% fixed annual coupon in first year, 8% fixed annual in second year and 12.875% - 6-month Libor thereafter. n) 8.5% fixed annual coupon in first year, 8% fixed annual in second year and 13% - 6-month Libor thereafter. o) Final terms fixed on 1/2/93. Callable and putable at 106.75% on 31/5/95. Callable on 30/11/95 at 101.5% declining by 0.5% semi-annually. p) Fungible with outstanding $2bn issued Nov.1992. Plus 69 days accrued interest. q) Borrowers full name: Bayerische Landesanstalt Für Aufbaufinanzierung. r) Final terms fixed on 2/2/93. s) Coupon pays 3-month Libor + 0.45%. Callable and putable at par annually from year 4. t) Sinking fund. Callable on 9/2/95 at 102%, 9/2/96 at 101.75% and 9/2/97 at 101.5%. u) Coupon pays 3-month Libor + 0.4%. v) Conversion price: $20, a 19.4% premium. 2 year hard call, 1 year soft call at 130%. w) Borrowers full name: Banque Française du Commerce Extérieur. x) Borrowers full name: Caisse Centrale de Credit Immobilier. y) Coupon pays 6-month Libor + 0.45%. z) Coupon pays 6-month Libor flat; minimum 7%, maximum 11%. a1) Final terms fixed on 2/2/93. Callable on 31/12/95 at 108.625% declining by 2.875% semi-annually. Callable on 31/12/98 at 101.75% declining by 0.25% semi-annually on the condition that share price ≥ 150% of conversion price for 30 consecutive days. Putable on 31/12/95 at 108.625%. Conditional revision of conversion price in Apr.1996. b1) Fungible from payment date with DM1.5bn launched earlier this month. Plus 28 days accrued interest. c1) Coupon pays 6-month Libor flat; minimum 7.0625%, maximum 11.0625%. d1) Issue launched on 21/1/93 has been increased to Fl350m. e1) 10% fixed annual coupon for first year and 19.1% - 6-month Stibor thereafter. Note: Yields calculated on ISMA basis.

RISK AND REWARD

Chicago takes the option into the third dimension

THE Chicago Board Options Exchange last week took the financial world into a third dimension with its introduction of an index of implied volatility on its actively traded Standard and Poor's 100 stock index options. The dissemination of the index is likely to be followed within the year by its own volatility options.

While there has been a plethora of new derivative instruments introduced in the past six months, the volatility index concept goes to the heart of options pricing and thus may have applications far beyond the equity index proposed in Chicago.

The American Stock Exchange is considering a volatility index on its Major Markets Index, and the over-the-counter foreign exchange options market is said to be ripe for a similar product.

However, while the concept is intriguing, traders say volatility options will be redundant, and industry marketing executives say the offering is too sophisticated for retail investors.

The CBOE's volatility index may turn out to be an innovation without a market. Volatility is a measure of the speed of a market's movements. Since an option often becomes less valuable as it approaches its expiry date, a successful options trader must not only have a clear view of price direction, but also a feel for market velocity – how quickly the price of the underlying security will move towards his objective.

That said, it must also be noted that volatility is no mystery, and can be mathematically derived as a sort of standard deviation of prices. Since Fischer Black and Myron Scholes introduced the first practical model for options pricing in 1973, volatility has been the one input to the formula that cannot be plucked from a newspaper.

However, that is no problem for professional options traders, who program their computers with the Black/Scholes model or one of its offspring and calculate implied volatility. Many options shops tweak the pricing model to their own liking, and several generations of software vendors have lived and died by the speed at which they can spin the model through traders' machines.

Options traders quote volatility as readily as premium prices, they chart volatility movement, and have devised a multitude of strategies for buying and selling volatility within standard options contracts. Their facility with options pricing and volatility hedging leaves them with little need for a volatility index option.

Academics who study options pricing theory say that professional traders could use the products as a sort of re-insurance. Existing option strategies to hedge volatility require multiple transactions. A direct hedge, they say, has fewer transactions costs. They admit, however, that wide differences between bids and offers in thin markets can cost more than any trading fee, and spreads on a volatility option are apt to be wide.

But a volatility index's appeal to the broader public may be limited. Mr Todd Petzel, research director at the Chicago Mercantile Exchange, says the CME has considered volatility indices on its options contracts since 1986, but has not felt compelled to launch a product. Sophisticated investors do not need the product, he says, and less sophisticated ones do not follow volatility and use standard options to bet on price movements.

American Stock Exchange executives also said volatility indices had lower priority than products with broader retail appeal. That is not to say that a volatility index would not offer some breathless trading opportunities, however. Volatility tends to rise ahead of an anticipated event as uncertainty increases, and fall quickly afterward.

CME Eurodollar options saw implied volatility go from an August low of 15 per cent to an October peak of 49 per cent as traders anticipated a new Democratic president and his unknown economic policies.

By last week, however, volatility had returned to 18 per cent, with savvy traders reaping rewards from the wild ride.

Laurie Morse

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 29	Jan 28	Jan 27	Jan 26	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3310.03	3306.25	3291.39	3298.95	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	104.99	104.85	104.70	104.56	104.99 (29/1/93)	98.41 (20/3/92)	104.99 (29/1/93)	54.99 (1/10/81)
Transport	1506.42	1496.95	1494.13	1489.49	1520.11 (18/1/93)	1204.40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	226.59	225.09	224.27	224.15	226.59 (29/1/93)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3331.10 (3327.86) Low 3287.06 (3270.58) (Theoretical)♠
Day's High 3315.16 (3307.60) Low 3298.95 (3290.04) (Actual)♠

STANDARD AND POOR'S

	Jan 29	Jan 28	Jan 27	Jan 26	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	438.78	438.66	438.10	439.95	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	508.57	508.30	507.58	510.26	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	42.25	42.16	42.23	42.21	42.27 (19/1/93)	32.40 (8/4/92)	42.27 (19/1/93)	8.64 (1/10/74)
NYSE Composite	241.92	241.70	241.45	242.53	242.53 (26/1/93)	217.92 (8/4/92)	242.53 (26/1/93)	4.46 (25/4/42)
Amex Mkt. Value	411.08	410.49	410.18	411.60	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	696.34	694.67	697.90	707.16	707.16 (26/1/93)	547.84 (26/6/92)	707.16 (26/1/93)	54.87 (31/10/72)

	Jan 22	Jan 15	Jan 8	year ago (approx.)
Dow Industrial Div. Yield	3.18	3.17	3.19	2.87

	Jan 27	Jan 20	Jan 13	year ago (approx.)
S & P Industrial div. yield	2.51	2.60	2.59	2.78
S & P Indl. P/E ratio	26.96	26.62	26.70	23.24

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Motorola	13,297,800	51¼	- 4⅝
Amer Re Corp	6,942,000	37	----
Sci Atl	5,187,300	24	- 4⅞
Telefonos	3,365,000	52½	+ ½
IBM	2,974,800	51½	+ 1¼
Amer Express	2,863,200	23¼	+ ⅜
Compaq Comp	2,193,500	51⅛	- 1
Merck	2,125,400	40½	----
Pinnacle	2,076,400	20¾	+ ⅛
Tucson Elt	2,049,200	3¾	----

TRADING ACTIVITY

† Volume Millions	Jan 29	Jan 28	Jan 27
New York SE	16.995	255.550	276.880
Amex	247.010	16.819	16.985
NASDAQ	(u)	227.732	238.211
NYSE			
Issues Traded	2,417	2,439	2,457
Rises	1,007	912	706
Falls	807	908	1,179
Unchanged	603	619	572
New Highs	84	93	99
New Lows	14	15	22

CANADA

TORONTO	Jan 29	Jan 28	Jan 27	Jan 26	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2773.54	2782.42	2806.21	2778.76	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3305.47	3307.92	3311.64	3312.80	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1733.12	1744.52	1750.19	1751.17	1957.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

**Saturday January 23: Taiwan Weighted Price: (c), Korea Comp Ex. (c)
§ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday, 29 January, 1993

	Stocks Traded	Closing Prices	Change on day
Isuzu Motor	15.3m	367	+3
NPN Steel Corp	6.3m	298	+1
Nippon Jutaki	5.8m	269	+9
NKK	5.6m	282	+6
Hitachi Zosen	4.8m	527	+11
Citizen Watch	4.2m	955	+10
Mitsui Eng	4.1m	361	-6
Oki Elect	3.7m	377	-6
Sumitomo Metal	3.2m	275	+5
Kawasaki Steel	3.2m	294	+5

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Grofund American	5	158.2	159.9	169.3	0.00	40591
AIB Grofund Equity	5	202.9	204.9	218.0	3.26	40593
AIB Grofund Euro	5	150.6	152.8	160.9	2.08	40594
AIB Grofund Eur Enhanced	3	101.0	103.2	106.4	2.53	–
AIB Grofund Gilt	3	76.42	76.45	78.81	5.26	40595
AIB Grofund Japan	5	123.4	124.7	131.3	0.00	40596

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
General Inc	5	404.8	406.6	432.6	2.75	40401
General Acc	5	440.8	442.7	471.0	2.75	41576
UK Growth Acc	6	297.7	302.0	321.3	3.07	40392
UK Growth Inc	6	213.4	216.4	230.3	3.07	40393
Higher Inc Acc	6	527.2	535.1	569.3	4.31	40394
Higher Inc Inc	6	323.2	330.1	351.2	4.31	40395
Gilts/Fxd Int Acc	3½	171.1	171.1	180.7	6.67	40396
Gilts/Fxd Int Inc	3½	92.19	92.19	97.36	6.67	40397
Nth America	6	258.7	264.3	281.2	0.00	40398
Far East	6	238.2	242.8	258.3	0.29	40399
Europe	6	204.8	208.1	221.4	1.26	40400
Brit Excell	6	61.52	62.40	66.39	3.12	40402
Brit Fndsmtls Acc	6	80.22	81.45	86.63	3.22	40403
Brit Fndmtls Inc	6	62.96	63.92	68.00	3.22	40404
Global Opps	6	64.76	66.06	70.28	0.07	40409

Britannia Life Unit Managers Ltd (1200)F
50 Bothwell Street, Glasgow G2 6HR 041-223 6020

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced Growth	6	90.13	91.06	97.39	2.39	40427
Do (Accum)	6	98.40	99.42	106.35	2.39	40428
Smaller Cos	6	73.43	74.98	80.20	1.81	40433
Do (Accum)	6	79.40	81.08	86.72	1.81	40434
Higher Yield	6	35.97	36.73xd	39.08	4.52	40429
Do (Accum)	6	49.07	49.60	53.05	4.52	40430
American Gth Inc	6	55.00	55.16xd	59.00	0.29	40423
Do (Accum)	6	56.05	56.21	60.12	0.29	40424
European Growth	6	90.68	91.01	97.34	1.78	40319
Do (Accum)	6	91.52	91.85	98.24	1.78	–
Global Bond Inc	6	28.45	28.45	30.19	5.78	44695
Do (Accum)	6	34.95	34.96	37.09	5.78	44696
Managed P'folio Inc	6	32.72	32.79	35.07	1.94	40147
(Do Accum)	6	32.81	32.88	35.16	1.94	40162
Pacific Growth Accum	6	81.48	82.27	87.99	1.17	40321
Intl Spec Opps Accum	6	79.99	81.07	86.70	1.09	40320

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mngd P'folio Inc	6	87.66	87.66	93.36	2.23	40186
Mngd P'folio Acc	6	164.1	164.1	174.8	–	40187
UK General	6	143.3	143.3	152.6	3.32	40188
Cash & General	6	18.90	18.90xd	20.22	8.25	40190
European Inc	6	21.53	21.53	23.18	0.49	40191
European Acc	6	22.24	22.24	23.94	–	40192
Financial	6	107.4	107.4	114.4	3.80	40194
Foundation	6	70.91	72.02	76.71	3.66	40534
German	6	39.68	39.68	42.94	0.09	40195
Growth Inc (5-1)	5	27.29	27.29	29.10	3.18	41583
Growth Acc (5-1)	5	31.77	31.77	33.89	–	40220
High Income	6	69.64	70.39	75.35	7.33	40196
Income	6	119.4	121.7	130.2	4.46	40197
Intl Income	6	85.78	85.78xd	91.36	4.20	40189
Intl Growth §	6	31.77	31.77	33.84	0.23	40198
Monthly Income	6	66.99	69.08	73.57	4.98	40082
North American	6	105.4	106.3xd	113.4	0.19	40199
Orient §	6	94.36	94.36	101.5	–	40200
Recovery	6	33.25	34.75	37.36	3.16	40201
Smaller Cos Acc	6	235.9	251.9	268.3	–	40202
Smaller Cos Inc	6	138.2	147.5	157.1	1.47	40203

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 5444.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries. 0277 227300 Dealing: 0277 261010						
European	3	104.30	104.80	110.30	1.71	–
Intl Bond & Conv	5	121.80	122.00	128.40	5.62	40424
Pooled Pension ♦	7	148.9	150.7	161.0	–	47257
Smaller Cos	5	59.40	61.21	64.43	2.11	46203
UK General	5	114.30	116.00	122.10	2.94	–
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	379.92	379.92	402.72	5.12	40913
Global Inc	5	55.36	55.36	58.68	4.14	40916
Brit Leaders	5	311.69	311.69	330.39	3.09	40914
Intl Leaders	5	177.57	177.57	188.22	1.74	40915
F An Gar Gil Cash Inc ♥	3½	51.43	52.84	54.90	3.10	–
Singer & Friedlander UT Mngmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	49.53	49.62	52.79	1.58	42492
Far Eastern Tst	6	53.51	54.20	57.66	0.86	–
Smaller Cos	5	133.9	138.5xd	147.3	2.88	47431
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ♦	5	264.4	267.0	282.5	1.23	41390
S & W Capital	5	111.1	111.1	119.1	1.96	40181
S & W Cash ♦	0	102.17	102.17	102.17	6.56	47988
S & W European	5	108.1	108.2	114.4	1.45	40253
S & W Far Eastern	5	108.0	109.0	115.3	0.03	40474
S & W Growth	5	118.5	119.9xd	126.9	1.60	41391
S & W Income	5	106.9	108.1	114.3	5.31	41392
S & W Magnum	5	117.4	117.4	125.9	1.86	47800
S & W Smllr Secs	5	282.8	288.5	305.3	0.79	41393
S & W Thoroughbred	5	135.5	135.9xd	145.4	1.71	40263
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Grth	5¼	80.76	80.76	86.37	0	41525
Eur Sp Sits Acc	5¼	42.91	42.91	45.58	0	41536
Eur Sp Sits Inc	5¼	40.53	40.53	43.05	0	41537
Far East Opps Inc	5¼	26.98	26.98xd	29.08	0	41660
Far East Opps Acc	5¼	27.72	27.72	29.88	0	41665
General Growth	5¼	94.64	94.64xd	101.50	0	41528
General Growth Acc	5¼	97.04	97.04	104.10	2.48	47430

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Whittingdale Unit Tst Mngmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	89.49	89.49	91.59	0.00	41996
Short Dtd Gilt	1½	108.9	108.9	110.4	6.47	41997
U.S. Govmnt Bond	1½	$0.7088	0.7088	0.7181	0.00	41998
Gilt Income	4	51.84	51.84	53.94	8.00	47808
Gilt Growth	4	64.39	64.39	67.01	0.00	47809
City Reserve	0	52.06	52.06xd	52.06	6.25	47804
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockquarter Fd F	5	63.97	64.34	68.23	2.57	40998

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Baillie Gifford & Co Ltd				
Int'l Expt Jan 20	653.6	674.71	1.03	40108
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	92.38	94.24	4.9	–
Income Plrs	49.15	50.16	7.5	–
James Capel Fund Managers Ltd				
European Exempt	£104.857	106.196	3.15	–
Japanese Exempt	£104.786	106.378	–	–
Managed Exempt	£126.466	131.576	3.29	43128
North American Exempt	£100.359	102.357	1.17	–
Pacific Exempt	£103.627	105.958	3.20	–
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Dec 31	582.50	596.60	5.08	40251
Fxd Int Sec Dec 31	151.95	152.70	9.50	40252
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
Legal & General – Contd.				
Exempt Intl. Initial	222.9	234.7	–	42759
Do. Accum.	333.9	351.5	–	42760
Exempt Mngd. Init.	677.5	713.2	–	42761
Do. Accum	1131.0	1190.6	–	42762
Exempt N. Amer Init.	232.4	244.7	–	42763
Do. Accum.	298.4	314.2	–	42764
Exempt Prop. Init.	274.4	288.9	–	42765
Do. Accum.	458.1	482.3	–	42766
Sp. Deposit Init.	231.8	244.0	–	42767
Do. Accum.	343.4	361.5	–	42768
Index Fund Init.	119.0	125.3	–	42769
Do. Accum.	145.4	153.1	–	42770
Aggressive Growth Init.	134.0	142.2	–	47069

	Bid Price	Offer Price	Yield Gross	City-line
NM Life Assurance Ltd				
Enterprise House, Portsmouth 0705 827733				
Elite British	113.1	119.0	–	46214
Elite European	107.0	112.6	–	46215
Elite N American	109.8	115.5	–	46219
Elite Orient	101.2	106.5	–	46220
Elite Global Bond	130.0	136.8	–	46217
Elite Olympus	106.8	112.4	–	46250
Elite Growth	109.0	114.7	–	46216
Elite Income	111.5	117.3	–	46218
American	391.2	411.7	–	43083
Australian	390.7	411.2	–	43084
DCM Vanguard Mngd.	635.3	668.7	–	43085
Conscience	128.1	134.0	–	46107

Continued on next page

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Prolific Life & Pensions Ltd
Sizergh/gate, Kendal, Cumbria LA9 4UB 0539 733733
Managed Fund inc Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Grwth Mngd	667.3	709.9	-	43315
Adventurous Mngd	160.6	170.9	-	46402
Cautious Mngd	125.8	133.9	-	46403
Cash Fd	317.0	334.1	-	43316
Property Fund	216.7	230.6	-	43317
Equity Fund	758.5	807.0	-	43318
Fixed Int. Fund	409.7	431.8	-	43319
International	534.9	570.3	-	43320
High Income	594.8	632.8	-	43321
Far East	440.4	474.9	-	43322
North American	455.3	484.4	-	43323
Special Sits	548.0	583.0	-	43324
Technology	463.9	493.6	-	43325
Extra Inc Fd	324.8	345.6	-	43326
Convertible & Gilt Fd	155.7	165.7	-	43327
American Income	182.7	194.4	-	43328
Gilt Fund 2	443.8	472.2	-	43329
European Fund	120.7	128.5	-	43330
Pref & Fixed Int	112.4	119.6	-	46332
UK Blue Chip	117.5	125.5	-	47044
Recovery Fund	115.5	121.8	-	47056
Equity Income Dist	107.0	113.9	5.03	47816
Managed Dist	100.7	107.2	5.68	47817
High Yield Dist	103.7	109.3	8.62	44422
Pension Funds				
Baland Gth Mngd Pens Acc	772.6	813.3	-	43331
Adventurous Mngd Pens Acc	169.7	178.7	-	46404
Cautious Mngd Pens Acc	145.4	153.1	-	46405
Building Soc Acc	365.6	384.9	-	43332
Property Pens Acc	295.4	311.0	-	43333
Fix Int Pens Acc	644.1	678.1	-	43334
Equity Pens Acc	984.4	1036.3	-	43335
International Pens Acc	310.8	327.2	-	43336
High Inc Pens Acc	666.3	701.4	-	43337
Tech Pens Acc	327.1	344.4	-	43338
N American Pens Acc	349.6	368.1	-	43339
Far Eastern Pens Acc	446.7	470.3	-	43340
Special Sits Pens Acc	449.3	473.0	-	43341

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
JRA/M&G Managed	115.9	122.0	-	46639
JRA/Schroder Managed	112.4	118.4	-	46996
JRA/St James's Place Mngd	118.3	124.6	-	47133
Deposit	100.4	105.7	-	46281
Far East	114.0	120.1	-	46304
Gilts	106.0	111.6	-	46397
Greater European	111.8	117.7	-	46488
North American	130.2	137.1	-	46859
UK Equity	117.7	123.9	-	47134
Pension Funds				
JRA/M&G Managed cap	114.0	120.1	-	46800
JRA/M&G Managed acc	118.0	124.3	-	46714
JRA/Schroder Managed cap	111.8	117.7	-	47129
JRA/Schroder Managed acc	115.8	121.7	-	47128
JRA/St James's Pl Mngd cap	122.6	129.3	-	47131
JRA/St James's Pl Mngd acc	127.2	133.9	-	47130
Deposit cap	100.2	105.5	-	46285
Deposit acc	103.7	109.2	-	46284
Far East cap	110.0	115.8	-	46395
Far East acc	113.9	119.9	-	46358
Gilts cap	103.5	109.0	-	46401
Gilts acc	107.2	112.9	-	46399
Greater European cap	111.8	117.9	-	46578
Greater European acc	115.8	121.9	-	46489
North American cap	129.0	135.8	-	46957
North American acc	133.5	140.6	-	46860
UK Equity cap	117.3	123.5	-	47136
UK Equity acc	121.4	127.8	-	47135

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

Scottish Provident Institution
6 St Andrews Sq, Edinburgh

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline. Call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Cause of concern

DEALERS will be keeping a close watch on events inside the European exchange rate mechanism this week following the weekend devaluation of the Irish punt, *writes James Blitz*.

Mr Hans Tietmeyer, the Bundesbank's vice President, said at the weekend that he hoped the 10 per cent devaluation of the Irish currency, the largest in the system's history, would bring renewed calm inside the ERM.

Finance Ministry officials in Ireland were also hoping that the country's banks would bring down wholesale and retail rates of lending in the next few days.

The market could view the Irish devaluation as an isolated event, which was principally triggered by the punt's overvaluation against sterling rather than the D-Mark. They may decide not to put pressure on the other weaker currencies in the system, the Danish krone and French franc. However, Mr Avinash Persaud, a currency economist at UBS Phillips and Drew, said yesterday that the Irish devaluation should cause concern.

"This is the first low inflation country with a big current account surplus to devalue," he said. "The market needs to ask itself whether it is now targetting countries with high unemployment as devaluation candidates. If that is the new mentality, the franc and krone will soon come under pressure."

The Bank of France's money market operations, today and on Thursday, will be scrutinised lest the authorities raise official interest rates.

Three-month francs were trading at 13¼ per cent on Friday night, 125 basis points above the official overnight lending rate. Tomorrow's Bundesbank announcement of the rate at which it will offer repurchase agreements in its weekly money market operations will be closely scrutinised.

The German central bank holds a council meeting on Thursday, although few analysts anticipate a cut in official rates.

£ IN NEW YORK

Jan.29	Close	Previous Close
£ Spot	1.4865-1.4875	1.5150 1.5160
1 month	0.40-0.39pm	0.40 0.39pm
3 months	1.15-1.12pm	1.16 1.13pm
12 months	3.15-3.05pm	3.25 3.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.29	Previous
8.30 am	78.8	78.8
9.00 am	78.7	78.8
10.00 am	78.5	78.8
11.00 am	78.4	78.5
Noon	78.4	78.6
1.00 pm	78.5	78.6
2.00 pm	78.3	78.6
3.00 pm	78.4	78.5
4.00 pm	78.2	78.5

CURRENCY MOVEMENTS

Jan 29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.2	-31.01
U.S Dollar	66.5	-11.70
Canadian Dollar	95.3	-7.22
Austrian Schilling	115.5	+17.01
Belgian Franc	116.4	+2.21
Danish Krone	118.5	+11.79
D-Mark	126.1	+32.63
Swiss Franc	110.2	+16.62
Dutch Guilder	120.0	+21.43
French Franc	110.6	-6.31
Lira	82.2	-33.39
Yen	151.7	+87.50
Peseta	100.3	-23.95

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.28

OTHER CURRENCIES

Jan 29	£	$
Argentina	1.4910 - 1.4925	1.0000 - 1.0010
Australia	2.2000 - 2.2020	1.4715 - 1.4725
Brazil	23131.0 - 23132.5	15514.0 - 15514.5
Finland	8.2630 - 8.3430	5.5200 - 5.5600
Greece	316.000 - 322.300	210.500 - 214.750
Hong Kong	11.5215 - 11.5340	7.7320 - 7.7330
Iran	2285.00*	1490.00*
Korea(Sth)	1190.75 - 1209.95	790.00 - 796.20
Kuwait	0.45625 - 0.45675	0.30600 - 0.30650
Luxembourg	49.25 - 49.35	33.10 - 33.20
Malaysia	3.9070 - 3.9250	2.6250 - 2.6300
Mexico	4.6535 - 4.6565	3.1210 - 3.1230
N.Zealand	2.8860 - 2.8895	1.9355 - 1.9380
Saudi Ar	5.5885 - 5.6000	3.7495 - 3.7505
Singapore	2.4490 - 2.4550	1.6415 - 1.6425
S.Af (Cm)	4.5730 - 4.5835	3.0700 - 3.0720
S.Af (Fn)	7.0000 - 7.0500	4.6950 - 4.7280
Taiwan	37.95 - 38.10	25.45 - 25.55
U.A.E.	5.4725 - 5.4850	3.6715 - 3.6735

*Floating rate. Iran Official rate:£99.95 $66.80

CURRENCY RATES

Jan 29	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.916103	0.814578
U.S Dollar	3.00	1.38808	1.22081
Canadian $	7.27	1.76397	1.54774
Austrian Sch	8.25	15.3813	13.7207
Belgian Franc	7.75	45.0293	40.1615
Danish Krone	9.50	8.44508	7.52139
D-Mark	8.25	2.18803	1.95024
Dutch Guilder	7.75	2.46481	2.19465
French Franc	10	7.42970	6.59969
Italian Lira	12.00	2053.44	1809.87
Japanese Yen	3.25	172.400	152.198
Norway Krone	-	9.31610	8.31126
Spanish Peseta	-	156.407	138.709
Swedish Krona	11.50	N/A	8.84902
Swiss Franc	5.50	2.00716	1.79849
Greek Drach	19	N/A	261.277
Irish Punt	-	N/A	0.743352

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.28

POUND SPOT - FORWARD AGAINST THE POUND

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4830 - 1.5200	1.4865 - 1.4875	0.40-0.38cpm	3.15	1.14-1.11pm	3.03
Canada	1.8850 - 1.8880	1.8870 - 1.8880	0.05-0.08cdis	-0.41	0.04-0.14dis	-0.19
Netherlands	2.6800 - 2.7050	2.6875 - 2.6975	¾-½cdis	-1.95	1¼-1½dis	-2.04
Belgium	49.10 - 49.50	49.25 - 49.35	6-10cdis	-1.95	21-28dis	-1.99
Denmark	9.2125 - 9.3125	9.2225 - 9.2325	3¼-4¼oredis	-5.20	9¼-12dis	-4.66
Ireland	0.9090 - 0.9165	0.9130 - 0.9140	2.35-4.02cdis	-41.84	2.85-3.85dis	-19.05
Germany	2.3850 - 2.4050	2.3900 - 2.3950	½-½pfdis	-2.19	1¼-1½dis	-2.19
Portugal	216.00 - 218.25	216.00 - 217.00	132-180cdis	-8.65	400-517dis	-8.47
Spain	169.65 - 172.80	169.75 - 170.05	98-115cdis	-7.52	316-345dis	-7.76
Italy	2217.00 - 2247.50	2226.25 - 2227.25	9-11liredis	-5.39	30-33dis	-5.66
Norway	10.1775 - 10.2850	10.1850 - 10.1950	2¼-3½oredis	-3.46	8¾-11¼dis	-3.95
France	8.0825 - 8.1425	8.0925 - 8.1025	4½-4¾cdis	-6.38	12¾-13¾dis	-6.42
Sweden	10.8375 - 10.9450	10.8425 - 10.8525	2¾-4¼oredis	-4.01	9¾-11¾dis	-3.89
Japan	185.00 - 188.25	185.00 - 186.00	½-¾ypm	2.83	1½-1¼pm	2.83
Austria	16.79 - 16.94	16.80 - 16.83	1¾-3¼grodis	-1.83	6¾-8¾dis	-1.86
Switzerland	2.1975 - 2.2175	2.2050 - 2.2150	¼-¼cpm	1.02	¼-¼pm	0.68
Ecu	1.2175 - 1.2325	1.2275 - 1.2285	0.31-0.36cdis	-3.27	1.09-1.16dis	-3.65

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.95-1.90pm. 12 Month 3.16-3.06pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4830 - 1.5200	1.4865 - 1.4875	0.40-0.38cpm	3.15	1.14-1.11pm	3.03
Ireland†	1.6250 - 1.6575	1.6280 - 1.6290	3.00-4.70cdis	-28.37	5.00-7.50dis	-15.35
Canada	1.2665 - 1.2715	1.2700 - 1.2710	0.31-0.35cdis	-3.12	1.01-1.09dis	-3.31
Netherlands	1.7805 - 1.8140	1.8105 - 1.8115	0.73-0.76cdis	-4.94	2.21-2.27dis	-4.95
Belgium	32.60 - 33.20	33.10 - 33.20	13.00-14.00cdis	-4.89	40.00-43.00dis	-5.01
Denmark	6.1100 - 6.2125	6.2025 - 6.2075	4.50-6.50oredis	-10.64	12.50-14.50dis	-8.70
Germany	1.5810 - 1.6130	1.6085 - 1.6095	0.68-0.70pfdis	-5.15	2.06-2.09dis	-5.16
Portugal	143.55 - 146.00	145.70 - 145.80	120-130cdis	-10.29	365-390dis	-10.36
Spain	112.90 - 114.50	114.30 - 114.40	93-103cdis	-10.28	296-311dis	-10.62
Italy	1472.50 - 1498.50	1497.25 - 1497.75	9.80-10.60liredis	-8.17	31.20-32.70dis	-8.53
Norway	6.7325 - 6.8600	6.8500 - 6.8650	3.30-4.00oredis	-6.39	11.00-12.00dis	-6.71
France	5.3475 - 5.4575	5.4425 - 5.4475	4.10-4.40cdis	-9.37	12.65-13.15dis	-9.48
Sweden	7.1550 - 7.3125	7.2925 - 7.2975	3.90-4.70oredis	-7.07	12.20-13.20dis	-6.96
Japan	123.75 - 125.10	124.75 - 124.85	0.04-0.05ydis	-0.43	0.06-0.07dis	-0.21
Austria	11.1350 - 11.3200	11.3125 - 11.3175	4.35-4.70grodis	-4.80	13.20-14.30dis	-4.86
Switzerland	1.4560 - 1.4910	1.4850 - 1.4860	0.25-0.28cdis	-2.14	0.81-0.86dis	-2.25
Ecu†	1.2095 - 1.2315	1.2120 - 1.2130	0.65-0.64cpm	6.38	2.02-1.99pm	6.61

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Northern Bank Ltd	7
●Henry Ansbacher	6	Exeter Bank Limited	7	Nykredit Mortgage Bnk	6.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	6
Bank of Baroda	6	●Robert Fleming & Co	6	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs.	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	6	Heritable & Gen Inv Bk.	7	●United Bk of Kuwait	6
Brit Bk of Mid East	6	●Hill Samuel	6	Unity Trust Bank Plc	6
●Brown Shipley	6	C. Hoare & Co	6	Western Trust	6
CL Bank Nederland	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
Citibank NA	6	Julian Hodge Bank	6	Yorkshire Bank	6
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk.	6		
Credit Lyonnais	6	Midland Bank	6		

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STOCK INDICES

	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 22	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2807.2	2816.9	2832.5	2835.7	2771.9	2781.2	2861.5	2281.0	2861.5	986.9
FT-SE Mid 250	2954.8	2963.5	2964.5	2951.6	2904.2	2909.0	2964.5	2157.8	2964.5	1379.4
FT-SE-A 350	1382.5	1387.1	1393.3	1393.3	1363.8	1367.9	1397.7	1103.1	1397.7	664.5
FT-A All-Share	1364.33	1368.48	1373.87	1373.49	1344.87	1348.55	1373.20	1086.13	1373.20	61.92
FT-SE Eurotrack 100	1079.18	1072.70	1072.28	1084.24	1077.68	1091.64	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1148.15	1148.06	1147.45	1156.52	1146.87	1156.91	1248.79	1010.08	1248.79	936.62
FT Ordinary	2177.3	2184.8	2187.0	2189.9	2145.0	2152.2	2209.9	1670.0	2209.9	49.4
FT Government Secs.	94.76	94.83	94.45	94.46	93.70	93.99	95.54	85.11	127.40	49.18
FT Fixed Interest	109.86	109.76	109.50	109.37	109.31	109.26	110.26	97.15	110.26	50.53
FT Gold Mines	74.7	69.3	67.5	64.3	63.2	63.8	160.6	60.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 29 1993 US Dollar Index	% chg ($) since 31/12/92	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/92	Gross Div. Yield	THURSDAY JANUARY 28 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	121.12	-3.2	120.76	95.55	101.32	118.58	-2.0	4.10	121.34	118.62	95.26	100.02	118.59	153.68	108.18	145.44
Austria (18)	139.80	-0.3	139.38	110.29	116.95	116.80	-0.5	1.98	140.83	137.68	110.56	116.06	116.02	186.70	131.16	172.06
Belgium (42)	140.67	+5.6	140.26	110.97	117.67	115.00	+5.3	5.25	141.87	138.70	111.37	116.94	114.23	152.27	131.19	141.93
Canada (113)	113.54	-1.8	113.20	89.56	94.97	104.45	-1.9	3.16	114.05	111.50	89.54	94.01	104.88	142.12	111.36	137.50
Denmark (33)	206.90	+12.2	206.28	164.80	174.75	176.30	+11.0	1.55	209.95	205.26	164.83	173.06	174.76	273.94	181.70	262.91
Finland (23)	67.57	-2.9	67.37	53.30	56.52	78.56	+2.8	1.79	69.09	67.54	54.24	56.95	78.88	89.80	52.84	88.16
France (98)	144.66	-1.7	144.23	114.11	121.00	123.56	-3.1	3.63	147.23	143.94	115.58	121.35	124.02	188.75	136.93	150.87
Germany (62)	106.86	+2.7	106.55	84.31	89.39	89.39	+2.0	2.55	108.19	105.77	84.95	89.18	89.18	129.69	101.59	118.47
Hong Kong (55)	229.35	+3.5	228.67	180.93	191.87	227.69	+3.4	3.97	231.25	226.07	181.56	190.62	229.55	262.28	176.36	190.72
Ireland (16)	141.74	+4.4	141.32	111.81	118.56	122.64	+4.0	4.33	142.67	139.48	112.01	117.60	121.39	173.71	122.98	169.38
Italy (76)	59.79	+9.0	59.61	47.16	50.01	66.87	+10.7	3.11	59.28	57.95	46.54	48.86	65.36	80.86	47.47	77.69
Japan (472)	104.62	-0.4	104.31	82.53	87.52	82.53	-0.4	1.01	104.52	102.19	82.06	86.17	82.06	140.95	87.27	128.35
Malaysia (69)	259.07	-0.9	258.30	204.37	216.71	262.17	-0.5	2.53	258.20	252.43	202.70	212.83	260.24	282.42	212.49	226.90
Mexico (18)	1566.13	-5.0	1561.48	1235.49	1310.09	5345.88	-4.9	1.12	1640.34	1603.66	1287.81	1352.13	5550.78	1789.77	1185.84	1525.18
Netherland (25)	154.94	+2.3	154.48	122.23	129.61	128.07	+1.9	4.44	156.12	152.63	122.57	128.69	127.08	169.70	147.88	152.16
New Zealand (13)	41.92	-2.3	41.79	33.07	35.07	43.11	-2.7	5.07	41.84	40.90	32.85	34.49	42.86	48.52	37.39	44.89
Norway (22)	141.02	+2.4	140.60	111.25	117.97	131.16	+1.4	1.84	140.56	137.41	110.35	115.86	128.92	192.95	128.05	181.02
Singapore (38)	218.59	+2.5	217.94	172.45	182.85	165.41	+2.5	1.99	215.57	210.75	169.25	177.70	162.67	229.63	179.65	223.61
South Africa (60)	160.69	+8.5	160.21	126.76	134.42	165.48	+5.3	3.06	161.58	157.96	126.85	133.18	164.61	263.60	134.21	243.17
Spain (47)	126.41	+8.4	126.04	99.73	105.74	109.51	+8.2	5.53	127.71	124.85	100.27	105.27	109.47	161.72	107.10	155.23
Sweden (36)	152.82	-7.7	152.37	120.56	127.84	165.04	-4.8	2.60	152.45	149.05	119.69	125.67	162.44	200.28	149.69	181.04
Switzerland (56)	112.22	-0.7	111.89	88.54	93.89	103.35	+0.7	2.07	112.98	110.45	88.70	93.14	102.33	122.37	95.99	100.57
United Kingdom (226)	168.22	-2.4	167.72	132.69	140.71	167.72	-0.6	4.44	172.08	168.23	135.09	141.83	168.23	200.07	161.86	183.36
USA (522)	179.34	+0.7	178.81	141.48	150.03	179.34	+0.7	2.81	179.25	175.25	140.74	147.77	179.25	180.06	160.92	166.91
Europe (780)	135.94	+0.0	135.54	107.25	113.72	125.63	+0.6	3.75	137.97	134.88	108.32	113.73	125.40	156.88	131.31	147.41
Nordic (114)	145.25	-2.1	144.82	114.58	121.50	138.80	-0.2	2.20	145.48	142.23	114.22	119.92	137.10	188.52	141.24	183.18
Pacific Basin (715)	109.37	-0.3	109.05	86.28	91.49	88.13	-0.3	1.36	109.32	106.87	85.83	90.11	87.70	141.97	93.70	130.61
Euro-Pacific (1495)	120.12	-0.2	119.76	94.75	100.48	103.10	+0.1	2.46	120.91	118.21	94.92	99.66	102.74	145.21	113.80	137.63
North America (635)	175.27	+0.6	174.75	138.26	146.64	174.27	+0.6	2.83	175.22	171.30	137.58	144.46	174.22	176.04	158.70	165.02
Europe Ex. UK (554)	116.29	+1.7	115.94	91.76	97.30	102.70	+1.6	3.28	117.36	114.74	92.16	96.76	102.15	132.98	111.38	125.72
Pacific Ex. Japan (243)	156.05	+0.2	155.59	123.12	130.55	145.21	+0.7	3.67	156.37	152.88	122.79	128.91	145.28	175.31	146.06	152.92
World Ex. US (1686)	121.24	-0.2	120.88	95.65	101.42	105.11	+0.1	2.48	122.08	119.35	95.85	100.64	104.81	146.91	115.99	139.63
World Ex. UK (1982)	137.18	+0.5	136.77	108.23	114.77	124.02	+0.5	2.42	137.40	134.32	107.87	113.27	123.72	150.58	127.21	144.40
World Ex. So. Af. (2148)	139.84	+0.1	139.43	110.33	116.99	127.51	+0.3	2.62	140.37	137.23	110.21	115.71	127.28	153.05	130.04	147.17
World Ex. Japan (1736)	159.80	+0.4	159.33	126.08	133.70	154.32	+0.6	3.17	160.65	157.06	126.14	132.45	154.24	165.40	151.93	159.45
The World Index (2208)	139.88	+0.2	139.47	110.36	117.02	127.87	+0.4	2.62	140.41	137.27	110.24	115.75	127.64	153.70	130.66	147.78

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes during the week ending 29/1/93: Deletion: Matra (France). Name change: Hachette to Matra-Hachette (France).

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✥ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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The following changes have been made to the FT Share Information Service: Deletions: Specialeyes (Health & Household), Simpsons of Cornhill (Hotels & Leisure) and Elkem (Other Industrials).

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Call +44 71-925 2128 for more details.

4 pm close January 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992-93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	10¾	AAR Corp x	0.48	4.0	21	105	11⅞	11¾	11¾	-⅛
28½	18	A L Labs A	0.18	0.7	180	171	26⅜	25⅞	25⅞	-⅝
68⅞	52⅝	AMP Inc	1.60	2.8	20	894	57⅞	57	57½	-⅛
80⅛	54⅞	AMR				66926	63⅛	62½	63⅛	+⅞
2⅜	1⅜	ARX			12	118	1⅞	1⅞	1⅞	
53½	29⅞	ASA	2.00	6.0	21	801	33⅛	32⅞	33⅛	+⅛
34⅛	26⅛	Abbott Lab	0.60	2.2	18	9857	27½	27⅛	27½	+⅜
13⅞	10⅞	Abitibi Pr	0.50	4.3	4	98	11½	11⅜	11½	+⅛
11⅝	10⅛	ACM Gvt In	0.36	3.2		353	11⅜	11¼	11¼	
10⅜	9	ACM GvOpp	1.21	13.3		75	9⅛	9⅛	9⅛	-⅛
9¾	8½	ACM Gvt Sp	0.60	6.8		165	9⅛	9⅛	9⅛	-⅛
11⅜	9⅞	ACM Gvt Se x	0.96	8.8		215	11	10⅞	10⅞	
10⅝	8⅝	ACM Man	1.18	11.8		406	10	9⅞	10	+⅛
12⅞	8⅝	ACM Managd	0.78	8.7		233	9⅛	9	9	
11¾	4¾	Acme Cleve	0.40	4.6	18	61	8¾	8½	8¾	+⅛
8⅞	3¾	Acme Elect			172	102	8¾	8⅜	8⅜	+⅛
32¼	13⅞	Acuson			10	1031	14	d13⅞	13⅞	-⅛
21	18⅛	Adams Expr	0.48	2.4	1	50	20	19⅞	20	+⅛
49⅝	29½	Ad Micro	3.00	6.4		38	47⅛	46½	46⅞	+⅜
21½	7½	Ad Micro P	3.00	16.1		76726	19⅛	18⅝	18⅝	-⅜
9¾	4⅞	Advest Grp	0.16	2.4	13	160	6⅝	6½	6⅝	-⅛
46¼	33	Aegon ADR	1.36	3.0	6	31	44½	44⅛	44½	+¼
60¾	38	Aetna Lf x	2.76	5.8	14	698	60⅝	60¼	60½	+⅛
14½	6¾	Affil A	0.24	1.9	16	91154	13⅛	11⅛	12⅝	-1⅛
35¾	24	Aflac	0.44	1.3	15	368	33⅝	33¼	33⅝	+⅛
22⅛	13	Ahmanson	0.88	4.4	9	1261	20⅜	19⅞	19⅞	-⅛
22½	4	Aileen Inc			10	128	6⅛	5⅞	6⅛	+⅛
49½	38½	Air Pr Chm	0.86	2.0	17	2512	44¼	43½	43⅞	+⅛
29¾	12½	Airbne Frt	0.30	1.4	115	266	20¾	20½	20⅝	+⅛
23	11¼	Airgas Inc			28	597	18⅛	18⅞	18⅞	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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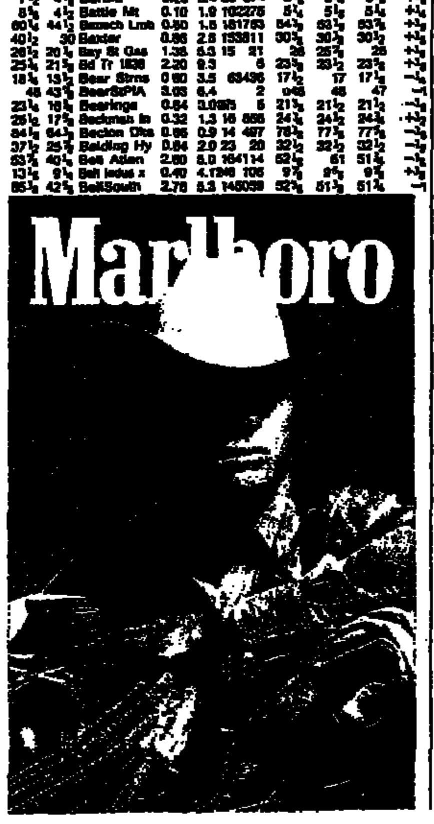
- P - Q -

- R -

- S -



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NYSE COMPOSITE PRICES

Continued from previous page

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls £ 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	13	Salomon Br	0.61	4.6		280	13½	13⅛	13⅛	
39	26¾	SalomonInc	0.64	1.7	13	415	36⅞	36⅝	36⅝	-¼
25	21¼	SanDgo G&E	1.44	5.9	13	323	24½	24	24¼	+⅛
4⅞	2⅛	SantaFeEDu	0.40	11.0	60	64	3⅞	3⅝	3⅝	-⅛
9⅞	7	SantaFeERs	0.16	1.7	926	616	9⅞	9¼	9¼	
39¼	30¾	SantaFePac	2.80	7.5	19	61	37⅞	37⅛	37½	+⅜
14⅝	10⅝	SantaFeSth	0.10	0.7	41	7046	14⅜	14⅛	14⅛	-⅛
32½	27	Sara Lee	0.14	0.5	21	6957	28⅛	27⅝	28⅛	
44¼	38⅝	Scana Corp	2.66	6.3	15	380	42⅜	42	42¼	+¼
47⅝	40¼	Scecorp	2.80	6.2	13	1660	45¼	44½	45¼	+⅝
38⅞	22⅛	SchererRP			26	461	31⅝	31	31¼	-¼
70	49⅞	SchergPl	1.56	2.6	17	8199	60⅜	59⅝	60¼	+1¼
70⅜	52¼	Sch'berger	1.20	2.1	17	4515	58½	57⅝	57⅞	-¼
37¼	16⅞	Schwab(C) x	0.24	0.8	14	724	30⅞	30¼	30¼	-½
10⅜	4½	Schwitzer			60	53	6⅜	6⅛	6⅜	+½
30⅜	15¼	ScientAtln	0.08	0.3	40	4776	24⅝	22½	24	-4⅞
11⅞	7⅛	Scotman	0.10	0.9	82	171	11⅛	10¾	11⅛	+¼
46	33¾	ScottPaper	0.80	2.1	17	1709	39	38½	39	+¼
17½	13½	ScuddrNAsF	0.55	3.7		49	14⅞	14¾	14¾	-⅛
9¼	7½	ScuddrNEuF	0.34	4.2		171	8⅛	8	8	-⅛
24	13	SeaContB	0.70	3.3	12	9	21⅜	21¼	21¼	-⅛
15⅞	14⅞	SeaC1.4625	1.46	9.1		6	u16	16	16	+⅛
31	24½	Seagram Co	0.56	2.2	13	2480	25¼	25	25⅛	+⅛
34½	21⅞	Seagull En			61	249	34	33¾	33¾	-⅛
28½	20½	Sealed Air			21	322	24⅝	22½	23⅝	-⅞
23	12⅛	SPX Corp	0.40	2.3	13	170	17⅜	17	17⅜	+⅛
51⅛	37	Sears Roeb	2.00	4.1	43	8061	49⅜	48⅞	49¼	+⅜
13¼	11⅞	Seligm Sel x	0.84	6.5		43	13	12⅞	13	
36¼	22½	Sensormat x	0.30	0.9	29	397	34⅞	34⅜	34½	
51	29	Sequa A	0.60	1.9	23	8	31½	31¼	31¼	
56	30¼	Sequa B	0.50	1.6	16	16	31¼	30¾	30¾	
19½	16¾	ServiceCpl	0.40	2.2	17	217	18½	18¼	18⅜	+⅛

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls £ 100s	High	Low	Close Quote	Ch'ge Prev. Close
30⅝	25¼	Yankee Egy	1.66	5.4	14	167	30½	30⅛	30½	+⅝
1½	½	Zapata			43	226	⅞	11/16	⅞	+1/16
11⅜	5	ZenithElec			2	224	6⅛	6	6⅛	+⅛
22⅛	14½	Zenith Nat x	1.00	4.7	10	12	21⅜	21⅛	21⅛	-⅛
7½	6	Zenix Inc x	0.82	11.7		49	7⅛	7	7	
14¾	10	Zero Corp	0.40	2.8	20	135	14¼	13⅞	14⅛	+⅛
40⅜	27¾	Zurn Ind	0.88	2.3	41	199	38½	37⅝	38	
14⅛	12	Zweig Fund	1.44	11.2		170	13	12⅜	12⅞	+⅛
11	9½	Zweig Totl	0.96	9.3		246	10½	10⅛	10⅜	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close January 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	29	906	14	13¾	13⅞	+⅛
PerinI	0.80	16	94	17	16¾	16¾	-⅛
Pet H&P	1.14	11	25	16⅞	16¾	17	+¼
Phil LD	0.25	9	1421	36	35½	35½	-¼
Pitney A	0.70	16	49	34⅜	34⅜	34⅜	-⅜
Ply Gem	0.12	24	24	12¼	12⅛	12⅛	+⅛
PMC	0.72	39	131	14⅞	14⅛	14⅞	

NASDAQ NATIONAL MARKET

4 pm close January 29

MONDAY INTERVIEW

Moderate discovers passion

Jozsef Antall, prime minister of Hungary, talks to **Nicholas Denton**

The image of Jozsef Antall with a sabre in his hand tests plausibility. A pen or piece of chalk, perhaps, would better fit his serious demeanour, didactic style and earlier career as a teacher.

But the political duellist in the prime minister revealed himself at last week's congress of the Hungarian Democratic Forum, the conservative party whose victory in the 1990 elections ended Communist rule. A challenge by ultra-nationalists to Mr Antall's moderate leadership inspired a rhetorical flurry by the premier that was quite out of character: "If they draw swords, and stand against the policies of the Hungarian Democratic Forum, the coalition and the government, then *en garde!*"

Mr Antall, facing the most daunting political struggle in his nearly three years in power, seemed to relish the fresh adversity. The prime minister's powerful oratory was all the more remarkable for his physical frailty resulting from periodic chemotherapy for cancer.

The prime minister summoned up the courage to stand up to Istvan Csurka, the nationalist writer and leader of the far-right Volk-national wing of the party. It took a skilful mix of confrontation, humour and appeals for unity to keep the far right to a quarter of the seats in the powerful party presidium, the governing body elected by congress delegates. The stakes were high – Mr Antall threatened to resign if the vote did not go his way.

In the end, Mr Antall appears to have turned the tide on a far-right movement whose advance had seemed inexorable since Mr Csurka shattered Hungary's political peace last summer with a virulently nationalist and anti-Semitic manifesto. The victory of the party's moderate wing has a wider significance because Hungary, bordered by countries with large and sometimes oppressed ethnic Hungarian minorities, has been identified by foreign policy observers as a candidate for Europe's next troublespot.

Mr Antall's instinct for political survival was aroused by Mr Csurka's suggestion on the eve of the congress that the Forum would be better off without the prime minister. But the gathering also offered Mr Antall the opportunity to nudge the party back towards the political centre, in an attempt to broaden its flagging popular support in time for the 1994 elections.

Recent opinion polls put the Forum's support at a humiliating 8 per cent. This reflects the economy's contraction by nearly by a fifth over past three years. In his own defence, the prime minister speaks contemptuously of the "demagogues and charlatans" who have capitalised on the unfocused discontent felt by the many Hungarians and east Europeans who are worse off since communism's demise.

But also driving Mr Antall has been a strongly expressed devotion to the stability and integrity of Hungary's new democracy. "For that I have made a vow and I give my life," Mr Antall says with a feeling that contrasts with his usually colourless style. Speaking in his cavernous office in Hungary's neo-Gothic parliament building, he promises resolve in the face of racist rhetoric and the violence which might follow: "If after words come the acts, then while words are uttered, we must stand against words; and when acts come, we must stand against acts."

The parliamentary opposition asks why Mr Antall did not speak out in such unequivocal terms immediately after Mr Csurka's call last summer for all true Hungarians to rise up against the conspiracy of Jews, communists, liberals, journalists and international bankers, which he claimed was smothering the country's national revival.

"When should somebody stand up? That is the question," Mr Antall accepts. A close adviser better explains the prime minister was reluctance: "Antall is a political animal and he knows that Csurka has 5 to 10 per cent support in the population. We don't need Csurka but we need Csurka's votes to stay in power."

It has to be said also that Mr Antall shares many of Mr Csurka's prejudices – against journalists and communists in particular. But there are limits to his willingness to accommodate the far right. "There is a line across which one can not step," says the prime minister. Indeed, whether or not he should have acted earlier, Mr Antall's forceful defence of moderation last week is a rarity in the current political atmosphere in eastern Europe, where intolerant nationalism has been rising ominously.

His earlier reticence may be explained in part of the fact that a desire for political peace – within his party, his three-party coalition government and the country – has been his first priority since taking office in 1990. "Nothing can succeed, there can be no justice, no compensation [for property expropriated by the communists], no economic growth, there can be nothing if there is no stability," Mr Antall says.

'There is a line across which one can not step'

The advantages of Mr Antall's conciliatory approach have been evident. In contrast with much of central and eastern Europe, Hungary enjoys a relatively calm political environment. And the country, with only 10m inhabitants, has attracted over $4.5bn in foreign investment since 1988, half of the total for the whole of eastern Europe.

PERSONAL FILE

- **1932** Born in Budapest. Educated at Piarist Catholic school and Eotvos Lorand University.
- **1956** Head of workplace revolutionary committee during failed uprising against Communists.
- **1974** Allowed to travel abroad for the first time by Communist government.
- **1984** General director of Semmelweis Museum of medical history.
- **1989** Lead Hungarian Democratic Forum negotiator at round-table talks with Communist regime; later named party president.
- **1990** Made prime minister after Forum victory in general elections.

Stability has thus come to look increasingly precious to Hungarians with the end of the "age of illusion", as Mr Antall calls the brief euphoria that followed the end of communism. So too has Mr Antall's international stature grown – his stolid message finds foreign listeners more receptive as their expectations for the speed of change in eastern Europe become more realistic.

Mr Antall's stature is also a matter of political longevity. It says much about eastern Europe that, after just 2¼ years in power, he can call himself the "doyen" of the region's leaders and its longest-serving prime minister.

If Mr Antall is one of the exceptions that proves the rule for east European politicians, then it is partly because Hungary's Communist regime was uniquely liberal at least in its later years.

Mr Antall, unlike most of his counterparts in neighbouring countries, and many of them in Hungary itself, emerged neither particularly compromised, embittered, nor deprived of access to developments in the world outside. Nor did he ever cease to consider himself European. "It is just like patriotism – there is indeed a European identity."

European integration is a question to which Mr Antall has given much thought. He marked his victory in the 1990 elections with a call for Hungary's eventual membership in the European Community. He has no fear that the country's entry would submerge its national identity again so soon after it had cast off the communist shroud. "Europe is Europe in that it is made up of nations with individual identities."

It is Mr Antall's commitment to the integration of Europe however which makes him most resentful about what he views as the west's betrayals. Hungary has felt cheated, he says. The western powers took away two-thirds of Hungary's territory and left over 3m Hungarians on the other side of the new borders in the 1920 Trianon peace treaty; they abandoned of Hungary to Soviet occupation in 1945 and again after the revolution of 1956.

And now Mr Antall feels the west does not care about eastern Europe's struggling new democracies. "People feel that again they are being treated as residents of the last chicken pen in Europe." Particular bitterness is reserved for the lack of western resolve, speed and co-ordination in dealing with the war that rages just over Hungary's southern border in the former Yugoslavia.

The conflict touches a Hungarian nerve because 400,000 ethnic Hungarians in the Serbian province of Vojvodina may be the next in line for ethnic cleansing; and the 2m Hungarians in Romania and 600,000 in Slovakia have also become the focus of tensions.

Mr Antall thinks that the west should involve itself in eastern Europe not just out of morality, but out of self-interest too. "It is not by chance that both world wars broke out in this region, from Sarajevo to Danzig. The danger zone is precisely this area which is always neglected."

It is another gloomy scenario to feed the prime minister's profound and very Hungarian pessimism. Not even after the Forum's 1990 election victory did Mr Antall rejoice, nor even after his bravura performance at the congress a week ago. "It is not the most comfortable thing to be a Hungarian politician," he says with a rare, weary smile.

The importance of being Hillary

They might have been more honest. For most of the campaign Mrs Hillary Clinton went into "cookie-baking" mode, gazing adoringly at her husband and promising to be a traditional first lady. But within hours of the inauguration, the old assertive Hillary had reappeared, complete with maiden name and headband. Husband Bill announced that she was taking charge of a presidential taskforce on health-care reform and she promptly set up shop in the west wing of the White House – the domain reserved for senior (and usually male) policy advisers.

This is not an honorific title. Health-care reform is the nation's most pressing domestic challenge. Mrs Clinton will lead a group that includes the most powerful cabinet officials, such Mr Lloyd Bentsen, the Treasury secretary, and Mr Leon Panetta, the budget director. After the announcement, Mrs Clinton hit the White House phones and spent six hours introducing herself to congressional leaders. Mr Dan Rostenkowski, the wily chairman of the powerful House Ways and Means Committee, said she appeared to have "both hands on the throttle".

Mrs Clinton will be easily the most powerful first lady in history (with the possible exception of Mrs Woodrow Wilson, who gained great influence following her husband's stroke). Indeed, her remit seems likely to extend to most aspects of domestic policy. Eyebrows were raised when Mr Clinton chose Ms Carol Rasko, an aide from Arkansas, as his domestic policy adviser. She lacked the stature of Mr Robert Rubin and Mr Anthony Lake, her counterparts in economic and foreign affairs. But then stature was not important – Ms Rasco and other domestic policy aides will in effect defer to Mrs Clinton, who is emerging as the chief domestic strategist. Some are already referring to her as a "domestic prime minister."

Mrs Clinton's executive role reflects the political coming of

MICHAEL PROWSE
on
AMERICA

age of women. She arrives in a Washington where her contemporaries occupy previously unimaginable positions. Women now fill both Senate seats from California, the most populous state. The president has a female chief economist and wanted (and may still get) a female attorney general.

Hillary is as well qualified academically as Bill (both are graduates of the Yale Law School) and, as a top Arkansas lawyer, earned five or six times Bill's meagre governor's salary. She advised him throughout his career, to the point of chairing the committee that devised the educational reforms now regarded as his main achievement in Arkansas. As an equal partner for so many years, her desire for hands on responsibility is understandable.

Even so, her new position raises questions. After John F Kennedy made his brother Robert attorney general, anti-nepotism laws were passed to prevent the appointment of close relatives to powerful positions. By not paying his wife, Mr Clinton has dodged these constraints. Yet people seem oddly reluctant to criticise Hillary's role, perhaps because greater responsibility for women is seen as so obviously a good thing. Yet if Mr Clinton had put a brother or favourite uncle in charge of health-care reform, all hell would have broken loose.

Health-care reform is a make or break issue for Mr Clinton. If he cannot control the dizzying escalation of costs, he has no hope of cutting the structural budget deficit; and if he cannot extend coverage to the 35m Americans without insurance, his standing as a domestic reformer will be nil. So it made sense to turn to somebody he trusted – and somebody who could wield near presidential authority as a deal-maker. But why not turn to Mr Al Gore, the official vice-president? He is as capable as Mrs Clinton and better connected in Washington.

Mrs Clinton's appointment also sends unfortunate signals about the direction of domestic policy. Perhaps unfairly, she is seen as more of an "unreconstructed" liberal (left-leaning) Democrat than her husband. This partly reflects her links with groups such as Ms Marian Wright Edelman's Children's Defence Fund, a powerful Washington lobby that opposes the tough restrictions on welfare payments publicly advocated by Mr Clinton. Mrs Clinton chaired the CDF for years and insisted that her successor – Ms Donna Shalala – be made health secretary. Mrs Clinton is also thought to have vetoed the appointment of conservative Democrats to important domestic policy positions.

The fear is that a "Marian-Hillary-Donna" axis will insist on the effective socialisation of American health care, with universal insurance cover backed up with strict controls on the price and volume of medical services. Mr Clinton, it is felt, would have more willing to experiment with "market-based" reforms that offer a more limited role for public bureaucracies. But it is possible, of course, that Bill and Hillary (Billary as some call them) have always agreed on policy; Bill just had to be more careful about what he said.

The US has had almost as many different types of presidencies as there have been presidents. In an age when power is increasingly distributed equally between the sexes, a husband and wife working in harness can arguably lead the country more effectively than either spouse alone. The pity is that the electorate was not asked more explicitly to support such an intriguing innovation.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.01.93: Pool purchase price £/MWh	Final Prices for Trading on 30.01.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.65	17.72	17.72
0100	23.13	21.69	23.07
0130	29.55	26.00	27.54
0200	29.55	26.00	27.49
0230	23.13	21.69	23.01
0300	22.08	20.86	22.17
0330	22.08	19.95	21.24
0400	21.61	19.48	20.75
0430	21.19	17.48	17.48
0500	21.19	17.46	17.46
0530	20.66	17.45	17.45
0600	17.65	17.45	17.45
0630	18.62	17.45	17.45
0700	18.62	17.45	17.45
0730	17.65	17.45	17.45
0800	17.62	17.45	17.45
0830	19.30	17.45	17.45
0900	23.75	17.45	17.45
0930	23.75	20.98	22.46
1000	23.75	18.16	19.45
1030	21.26	19.04	20.35
1100	21.86	20.98	22.35
1130	21.45	21.87	23.28
1200	25.04	21.87	23.27
1230	25.04	26.00	27.56
1300	25.04	26.00	27.56
1330	25.04	21.87	23.26
1400	18.65	20.98	22.35
1430	18.60	17.50	17.50
1500	18.18	17.49	17.49
1530	18.14	17.71	17.71
1600	18.14	17.56	17.56
1630	18.14	21.60	22.98
1700	18.66	20.98	22.29
1730	21.85	26.00	27.47
1800	27.02	26.00	27.48
1830	27.02	22.43	23.79
1900	26.43	22.43	23.78
1930	26.43	21.60	22.91
2000	23.11	21.60	22.91
2030	22.79	20.98	22.27
2100	21.98	20.98	22.29
2130	21.98	20.98	22.30
2200	21.98	19.71	21.00
2230	21.58	19.66	20.95
2300	18.60	19.43	20.73
2330	17.66	17.48	17.48
2400	17.62	17.46	17.46

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the [illegible]

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.02.93: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.60	19.50	19.50
0100	24.55	23.46	24.72
0130	34.55	24.89	[illegible]
0200	24.55	24.89	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	17.74	17.47	17.44

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the [illegible]

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Cracks in the franc fort

The renewed wave of currency speculation which battered the French franc and the Irish punt last week was a sharp reminder that the European Monetary System (EMS) is not yet out of trouble. The central question is the future of the franc; for if the franc were to be forced out of the exchange rate mechanism, the heart of the European Monetary System would have disintegrated, and the credibility of the EC's target for economic and monetary union, already damaged by the explosion of Black Wednesday, would be holed below the water line.

Many people no doubt expect the franc to come in for repeated speculative attacks right up to the French general elections in March. The markets are evidently unpersuaded that the Socialist government, which is facing a calamitous defeat at the ballot box, has the political strength to stand by its *franc fort* policy, with its punishingly high real interest rates.

By contrast, the incoming conservative government will have a record majority in the national assembly; what is more, all their heavy hitters on economic policy have solemnly endorsed the *franc fort* policy, including former President Valéry Giscard d'Estaing of the centre-right UDF grouping, former finance minister Edouard Balladur of the Gaullist RPR party, and former prime minister Raymond Barre. So if the French authorities can hold the line until the second round of voting on March 28, the franc may be in the clear.

IAN DAVIDSON
on
EUROPE

This scenario may be dangerously misconceived. For the dynamic of the political situation in France means that the prospective change of government could trigger *more* speculation against the franc, not less.

Recent polls suggest the UDF and the Gaullists will between them achieve a record majority, with perhaps more than 400 seats in the 577-seat assembly. Such a big increase almost inevitably means a disproportionate increase in the number of conservative Euro-sceptics, especially among the Gaullists. Last year half the Gaullists in the assembly, and all the Gaullist senators, voted to have the Maastricht treaty thrown out; after March 28 we must assume that the anti-Maastricht contingent will be substantially larger.

By rights, the conservatives should be elated at the prospect of their smashing victory. In fact, they seem apprehensive at the difficulty of the situation they will inherit. Intellectually, their leaders are committed to a continuation of the present economic and exchange-rate policy. But they know that one reason for the prospective rout of the present government is precisely the *franc fort* policy: the Socialists promised that it would bring low inflation and sound growth, but so far it has delivered much more of the first than of the second.

In other words, the political mixture after March 28 will be inherently volatile; the match which could make it explode will be the struggle for the 1995 presidential elections, which will become intense *immediately* after the parliamentary elections.

In the first instance this will be a struggle inside the conservative camp, between Gaullist leader Jacques Chirac and UDF leader Giscard d'Estaing. Each of them is starting to stake a claim to be prime minister after March, as a vital springboard for the presidency; each will seek to mark out an attractive and distinctive platform, which must include policies designed to promote economic growth and reduce unemployment.

On character grounds, Chirac is the more likely of the two to break ranks with the existing *franc fort* policy. Giscard has for many years been publicly committed to the objective of Emu, but Chirac has few hard and fast political principles, he is a natural demagogue, and he may feel strong pressures to pander to the populist and nationalist wing of his party.

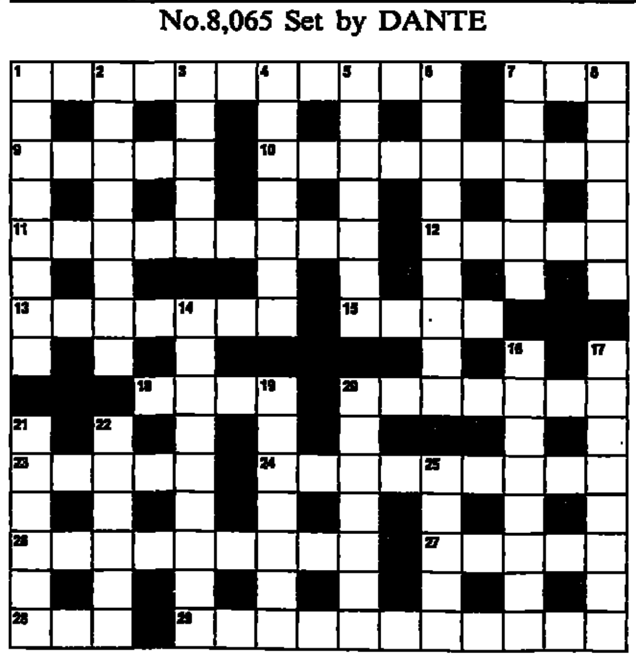
Mr Chirac would not inevitably prefer to abandon the *franc fort* policy. By March the Bundesbank may have eased interest rates, and the French economy may be recovering. But unemployment will still be 3m, and it will take a lot of growth to bring it down. The Socialists do not have a voluntary option of abandoning the *franc fort* so long as François Mitterrand is president; but it must become a debatable alternative strategy for a conservative government with a 200-seat majority.

The outlook helps explain recent waves of speculation. If a new French government could decide to change policy, it makes sense to bet on that change in advance. It also explains press reports that the French and German governments are thinking of an accelerated move towards monetary union by an inner core of states.

The president of the Bundesbank has already poured cold water on this idea, but in any case it seems improbable that this pre-emptive action could take the form of a very rapid move to monetary union. The Germans would not surrender their monetary policy except to an independent European central bank, and that could not be set up in a hurry; and France could not formally surrender monetary policy to the Bundesbank. So if Paris and Bonn fear that their present monetary arrangements may become unsustainable, they need to look around for alternative *political* initiatives to ensure that any derailing of the EMS does not cause wider damage to the broad thrust of European integration.

CROSSWORD

No.8,065 Set by DANTE



ACROSS

1 Newly leased building for sheep (11)
7 Standard spare part (3)
9 Bird with an enormous body (5)
10 The quality of the quality? (9)
11 Act terror when this surgical instrument is pulled out (9)
12 Grew agitated about a gambling venture (5)
13 Lacking brothers and sisters, and just twelve months old (4,3)
15 Entrance, using commercial with sex appeal (4)
18 Perfect but inconclusive thought (4)
20 This month a worker's dependent on tick (7)
23 Saw a number ahead of time (5)
24 Bad time of the year for children (9)
26 Stay to drink and drink (9)
27 Famous brief (5)
28 Born in the Pyrenees (3)
29 It condemned Luther's teaching, but Robin lives by it (4,2,5)

DOWN

1 Accept a move to a lower station (8)
2 A short reassurance that one doesn't mind? (3,2,3)
3 Girl puts lad in turmoil (5)
4 China's biggest banker (7)
5 Canada's ratable exchange (7)
6 Highly sought after plant (9)
7 Promise to drink one's health (6)
8 Roman Catholics count on it (6)
14 A 78 rpm disc has been broken (3,6)
16 Well-known companion of a witch (8)
17 Vertigo surprises (8)
19 Preacher makes pleas to convert (7)
20 Non-fire form of hell (7)
21 A sleeping partner who was robbed of his capital assets (6)
22 Lots follow second test (6)
25 Father goes on foot to get fruit (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 13.

مكنز من الأصل